Toyota has participated in activities of the WBCSD (World Business Council for Sustainable Development) as a member of this organization. WBCSD engages in advocacy activities aimed at realizing sustainable development based on the three pillars of economic growth, environmental protection and social development.

Toyota is a supporter of Education for Sustainable Development (ESD). ESD activities are aimed at creating a sustainable society.

Cover design: The tree on the cover represents the Toyota Global Vision and illustrates what kind of company Toyota wants to be: the firm roots stand for Toyota’s shared values, the fruit for ‘always better cars’ and enriching lives of communities, and the trunk for the stable base of business. The firm roots produce fruit and allow the trunk to grow thick and strong, ensuring the next crop of fruit. This virtuous circle reflects Toyota’s vision to be a company achieving sustainable growth.

Published: September 2013
Next scheduled report: Summer 2014

Web version URL: http://www.toyota-global.com/sustainability/report/sr/
Sustainability Report 2013

Editorial Policy

The objective of this report is to convey Toyota’s efforts to realize harmony with people, societies, and the global environment, as well as a sustainable society through monozukuri (manufacturing).

Based on the Toyota Global Vision announced in March 2011, the contents of the report were rearranged in 2012 in line with the three elements of the Toyota Visionary Management—‘‘Always better cars,’’ ‘‘Enriching lives of communities,’’ and ‘‘Stable base of business.’’ The section for each element includes a special feature, and information about Toyota’s initiatives. Beginning with this year, publishing of the print edition will be discontinued. An all-digital version of the report will be available on the Toyota website.

Toyota Global Vision

Period covered
The period covered in the report’s data is from April 2012 to March 2013. For major ongoing initiatives, the most recent status update in 2013 has been included.

Scope of report
Toyota Motor Corporation’s own initiatives and examples of those of its overseas consolidated affiliates, and so on.

Overseas affiliates’ reports
In 2013 plans call for separate reports to be issued in a total of 16 countries and regions (including Japan) in which Toyota overseas affiliates and other companies operate. The information disclosed globally by these reports will cover about 87% of Toyota vehicles sold worldwide.
Overview of Toyota Motor Corporation

Company Profile

- **Company Name**: Toyota Motor Corporation
- **President and Representative Director**: Akio Toyoda
- **Head Office**: 1 Toyota-Cho, Toyota City, Aichi Prefecture 471-8571, Japan
- **Nagoya Office**: 6-7-1 Mekari, Nakamura-ku, Nagoya City, Aichi Prefecture 450-8711, Japan
- **Date Founded**: August 28, 1937
- **Capital**: 397.05 billion yen (as of March 31, 2013)
- **Main Business Activities**: Motor Vehicle Production and Sales
- **Number of employees (consolidated)**: 333,498 (as of March 31, 2013)
- **Number of consolidated subsidiaries**: 509
- **No. of ATI, Accredited for Under the Equity Method**: 56

Automotive Business

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (consolidated) (Trillion yen)</th>
<th>Production in Japan and Overseas (consolidated) (Million units)</th>
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</thead>
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<tr>
<td>2009</td>
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<tr>
<td>2012</td>
<td>4.28</td>
<td>3.72</td>
</tr>
<tr>
<td>2013</td>
<td>4.28</td>
<td>3.72</td>
</tr>
</tbody>
</table>

Non-automotive Business

- **Housing**: Incorporating know-how and technology from the Toyota Group, Toyota Home offers three structures to meet different customer needs.
- **Financial Services**: Toyota Financial Services provides financial services primarily for vehicle purchases and leasing in more than 30 countries and regions worldwide.
- **e-TOYOTA Business**: With web-based vehicle information networks, onboard terminals and telematics, e-TOYOTA is finding ways to integrate IT systems and automobiles.

Global Expansion

- **Toyota Motor Europe NV/SA (TME)**
- **Toyota Motor Asia Pacific Pte Ltd. (TMAP-MS)**
- **Toyota Motor Sales, U.S.A. Inc. (TMS)**
- **Toyota Motor Engineering & Manufacturing North America, Inc. (TEMA)**
- **Toyota Motor Sales, U.S.A. Inc. [TMS]**
- **Toyota Motor Corporation (TMC) Head Office**

Financial Services

- **Toyota Financial Services**: Provides financial services primarily for vehicle purchases and leasing in more than 30 countries and regions worldwide.

Marine

- **From land to sea, Toyota is expanding into the marine business with eco-friendly pleasure craft and marine engines.**

Biotechnology & Afforestation

- **From a growing flower business to greening of rooftops and afforestation, Toyota is branching out into biotechnology.**

New Business Enterprises

- **In the 21st Century, Toyota will continue to expand its non-automotive businesses including marine, biotechnology, housing and aerospace.**

Sustainability Report 2013

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Cumulative Sales of Hybrid Vehicles

- Sales: Achieved 1 million units in 2012
- Cumulative sales: Achieved 5 million units in March 2013
True Competitiveness for Sustainable Growth

Firstly, I would like to express my sincere gratitude for your continued support and understanding.
Since 2009, Toyota has faced a series of prolonged crises. Looking back, these crises allowed us to gain invaluable experience and taught us many truths that would have remained hidden if conditions had been more settled.

Particularly during the global financial crisis, when we fell into the red, we learned that a traditionally broadbased auto industry, while positioned to enjoy the fruits of rapid growth, may also be vulnerable to abrupt decline that could bring anxiety to a substantial number of people. We are now more attuned to the importance of sustainable growth and have learned the critical lesson that an increase in production does not necessarily equate to growth.

The last four years have also been an opportunity to reconnect with our roots and return to the things that we have always held dear. Toyota’s roots lie in its founding principle of contributing to society by making automobiles. Put simply, our goal should ever be to make always better cars.

The products that are only just beginning to roll off the lines represent the first results of our groupwide emphasis on making always better cars. At the same time, we are making steady progress in reforming production technology and making new cars based on the Toyota New Global Architecture (TNGA).

There is a growing sense that the business model set forth in the Toyota Global Vision is steadily becoming more robust. It is important, however, to remember that we have merely reached the next starting line and that every member of the Toyota Group needs to focus on ensuring true competitiveness—competitiveness that will support sustainable growth regardless of external factors. Ultimately, true competitiveness cannot be measured simply in terms of profit and loss, but rather represents a challenge that must be met on a groupwide basis. Our efforts to meet this challenge are exemplified by our adoption of TNGA and the reorganization of our business units.

Toyota celebrated its 75th anniversary in November 2012. In establishing the Company all those years ago, Kiichiro Toyoda envisioned a strong Japanese auto industry with its roots in Japanese manufacturing traditions. Today, we are entering the final quarter of the auto industry’s first century. Over the next 25 years, we must set our gaze even further, and gain some insight into this industry’s second century. We must then use this insight to inform our own long-term business structure. We must always bear in mind that the sustainable growth we are striving to achieve will create a better society for our children and grandchildren.

“Rewarded with a smile by exceeding your expectations,” all 330,000 of us at Toyota around the world work together as one to make always better cars and to contribute to society. We will examine social issues in collaboration with the people who live in those communities and work to carry out what Toyota can do and what Toyota is expected to do to help achieve sustainable growth of society and the planet. We kindly request the continued support and understanding of all our stakeholders.

August 2013

Akio Toyoda
President
Toyota Motor Corporation

Rewarded with a Smile by exceeding your expectations

Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people.

Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile.

We will meet challenging goals by engaging the talent and passion of people, who believe there is always a better way.

Rewarding with a smile to every customer who chooses it.

Toyota Visionary Management

The visionary management that we have in mind is making better cars that exceed customer expectations, and enriching lives in communities based on the shared values that have steered Toyota from the beginning, including the Guiding Principles at Toyota and the Toyota Way. In doing so, we are rewarded with smiles from customers and the public, leading to a stable base of business that generates virtuous cycles and achieves sustainable growth.

The Global Vision Tree Explained

We use a tree to represent the Toyota Global Vision. The “roots” of the tree are the shared values that have steered Toyota from the beginning and that have underlain our monozukuri (manufacturing). They are expressed in the Toyota Precepts, in the Guiding Principles at Toyota, and in the Toyota Way, which are the basis of our business.

The “fruit” is our contribution to communities through making better cars that are chosen by customers and the public.

The “trunk” of the tree, the result of these efforts, strengthens and stabilizes our base of business when large numbers of customers choose our products.
Toyota’s CSR Initiatives

Seeking Harmony with People, Society, and the Global Environment, and Sustainable Development of Society through Monozukuri (Manufacturing)

Since its foundation, Toyota has continuously strived to contribute to the sustainable development of society through the manufacture and provision of innovative and quality products and services that lead the times. Cars are useful because they afford us freedom of mobility. On the other hand, they impact society and the environment in various ways. Always bearing this in mind, we listen carefully to our customers and neighbors in local communities to pursue our business, seeking harmony with people, society, and the global environment, as well as the sustainable development of society through monozukuri.

In the main line of our business, automobile manufacturing, we develop and introduce environmentally friendly hybrid vehicles in addition to mechanisms for active and passive safety. We also roll out new businesses in such areas as biotechnology, astrophotography, and energy. Furthermore, we pursue initiatives for social contributions that focus on “the environment,” “safety,” “society,” and “education.” Such activities centering on automobile manufacturing are designed to help people in the wider community and bring them happiness—this is Toyota’s aspiration.

The basis of our rationale is our CSR Policy: Contribution towards Sustainable Development. Toyota aims to become a company that is admired and trusted by society by ensuring that all employees recognize and put into practice our CSR Policy. We also share it with our consolidated subsidiaries and take appropriate action. And we expect our business partners to support this initiative and act in accordance with it.

CSR Policy: Contribution towards Sustainable Development

Overview of Toyota’s CSR Activities (automobile manufacturing, new business, and social contribution)

Positioning of the CSR Policy

Guiding Principles at Toyota

CSR Policy: Contribution towards Sustainable Development

Global Vision

Corporate Activities

Monozukuri

Creating a new future of mobility

质量和安全

Quality and Safety

社会贡献

Social Contribution

Environment

Environment

社会貢献

環境

Quality and Safety

生产

Safety

生产

Safety

Quality and Safety

1. Safety

Toyota Global Vision

Medium- to long-term management plans

Company policies, annual policies, regional policies, head office, and divisional policies

Regular business activities

Positioning of the CSR Policy

CSR Promotion Structure

Toyota’s social contribution activities

Social issues

CSR Committee

Chairman: Takeshi Uchiyamada
Established in 2007

Corporate Ethics Subcommittee
Corporate Citizenship Activity Subcommittee
CSR Planning subcommittee
Risk Management Committee

Secretariat: CSR Department, Corporate Planning Division

CSR Promotion Structure

Global Vision

Activities

Project

Activity

Goal achieved

Goal partially achieved

Goal not achieved

Results of Implementation of the Toyota Global Vision in FY2012

Goal

Major activities in FY2012 and results

Evaluation

Sustainability Management on the Toyota Visionary Management Indic Peace in mind, we listen carefully to our customers and neighbors in local communities to pursue our business, seeking harmony with people, society, and the global environment, as well as the sustainable development of society through monozukuri.

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Goal

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Evaluation

Sustainability Management on the Toyota Visionary Management Indicators

Toyota’s CSR Initiatives

In order to realize the Toyota Global Vision, Toyota has set goals and established the Toyota Visionary Management Indicators as key performance indicators (KPIs) to assess the progress being made towards achieving those goals. Each responsible division is conducting self-evaluations and implementing FODA to strengthen CSR activities. The major undertakings associated with results and evaluations are listed below.

For further information on Toyota’s CSR Policy, please see p.78

For further information on the initiatives listed above, please see the webpage below.

http://www.toyota-global.com/Sustainability CSR Policy

For activity results regarding the disclosed KPIs, please see the “CSR Achievement Data” section on p.78-79.
Takeshi Uchiyamada
Chairman, Toyota Motor Corporation

Challenges and Solutions Toward Better Cars

Mizue Unno
Managing Director, So-Tech Consulting Inc.

Toyota’s Approaches to the Creation of a Sustainable Value with Regard to Cars, Local Communities, and Management

By carrying out the Toyota Global Vision, Toyota aims to be a company that remains a necessary presence in future society. Toyota invited Ms. Mizue Unno to discuss what kind of company Toyota seeks to become with Chairman Uchiyamada, who became the chairman of the CSR Committee in June FY2013.

What Kind of Company Do We Want to Be? The Answer Is in the Toyota Global Vision

Uchiyamada: Our founder Sakichi Toyoda saw his mother working nights weaving cloth and invented the automatic loom to make her life easier. It was the long-held wish of Kiichiro Toyoda, who launched the automotive business, that cars be manufactured by Japanese people. Since its foundation, Toyota’s entrepreneurial spirit has long been based on the strong desire to serve and make positive contributions to people and the country, rather than on financial goals.

When I was in junior high school, I decided that I wanted to work for a car company because I dreamed of seeing families driving around town in cars that I created. This dream was fulfilled long after I started working for Toyota. I had very nearly forgotten it when I was put in charge of driving around town in cars that I created.

The Toyota Global Vision served as a basis for employee thinking as we fought desperately to achieve recovery and revitalization from the disaster. We asked ourselves what we can do to restore Toyota’s management foundations, and make the next better car—this is the goal of the Toyota Global Vision, and pursuing this is our mission.

As it turns out, we announced the new vision internally just two days before the Great East Japan Earthquake. I felt that the vision served as a basis for employee thinking as we fought desperately to achieve recovery and revitalization from the disaster.

Unno: The result is being rewarded with the smiles of customers, as indicated in the Toyota Global Vision. Toyota has adopted development structures on a country and regional basis in order to adequately respond to each requirement and demand. This also must be an approach for making “always better cars.”

Uchiyamada: There are things that we must not change, and other things that we need to change in different countries and regions. Sports cars, for example, must not be changed according to the region. The sports car is a vehicle whose value from the customer’s perspective is the same everywhere in the world.

Unno: The Vision also carries Toyota’s aspirations to contribute to “enriching the lives of communities.” CSR is about businesses taking action within their operations toward sustainable development, and therefore, in conjunction with making always better cars, it is also important to adopt a posture of active engagement in community development.

There is a growing public awareness to turn interests towards corporate behavior and whether a company—as well as the products and services provided—can be trusted.

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There is a growing public awareness to turn interests towards corporate behavior and whether a company—as well as the products and services provided—can be trusted.
Uchiyamada: An essential condition of our business activities is that they be accepted by the local community, and our objective is to develop together with the community. We believe that there is absolutely no contradiction between the sustainability of Toyota and the sustainability of the local community. One example is our plant construction. Once we build a plant, it establishes permanent ties within the community.

Toyota has never closed a plant because of internal circumstances. This is something we can be proud of. Our plants have a close connection to not just the people who work there, but also suppliers and their families and many other people in the wider community. They are a presence with substantial impact. Therefore we always conduct business with an awareness of these numerous stakeholders. Unno: That's exactly the Toyota Way, the foundation of Toyota Visionary Management.

Uchiyamada: Approaches to manufacturing are without a doubt different in Japan and other countries and regions. In Toyota's case, however, its approach to manufacturing is the same in Japan and every other country. This is why we make considerable efforts within the company to find ways of gaining an accurate understanding of Toyota's concepts overseas too, and to manufacture cars without changing those concepts.

Ensuring Accountability for Stakeholders in the Midst of Global Diversity

Unno: Toyota is highly commended for considerable accomplishments made within the company as well as a series of community initiatives in various areas such as human development. At the same time, however, such efforts by Toyota may not be conveyed effectively to external stakeholders. At times, there is an impression that the company is rather forcing its own ideas on interested parties. I believe that, in addition to undertaking various initiatives in many countries and regions, interpreting those efforts by clarifying the rationalities will facilitate broader understanding of Toyota.

Uchiyamada: It is true that there has long been a culture within Toyota of “If people simply look at our cars, they’ll understand, so all we need to do is to continue making cars to the best of our ability” and of not publicizing our positive actions.

Unno: We can possibly understand each other without communicating things directly in Japan, but sensibilities and ways of thinking vary in other countries. If you don’t engage in dialogue with people, you won’t understand what you’re trying to convey. The key is to engage in communication with local stakeholders in ways that differ from those used in Japan. Just as we need to deepen communication in an accountable manner and responses to consumers as already conducted for marketing strategies of automobiles, the company should also have stakeholder strategies adapted to local communities and regions. I have high expectations for better accountability concerning Toyota’s unique efforts as an automobile company to enrich the lives of communities.

Uchiyamada: We promote activities that we believe will be useful to society, and we have a tendency to believe that it is important for people to understand our actual practices. However, we reaffirm the significance of accurately conveying to society what we value.

We need to listen to the frank assessments of people outside the company and adopt innovations to our ways of communicating with local communities—that is what I’ve felt from talking to you.

Unno: This is stakeholder dialogue and is referred to as “engagement.” Many companies have means for listening to customer feedback concerning products and services and use such information in management. When a certain local concern occurs, these individuals will likely immediately reflect in actual policy.

At that time, we pursued higher fuel efficiency, but now, new questions related to population issues and the development of emerging energies, of how society will use energy and how cars fit into the system as a whole have emerged. The F-Grid® concept that we are undertaking in eastern Japan is not just about grid power management, but also about plants using electric power generated by in-house power generators and supplying that energy to key facilities of local communities during emergencies. The concept will verify how we can effectively use a grid that is made up of power that flows downward from the conventional grid and upward from regional power sources. Plug-in hybrid vehicles are also an important element of the F-Grid, and we are conducting research in collaboration with local communities on how cars can be used as part of a sustainable society’s systems without any negative impact on society or energy.

Unno: In other words, Toyota is utilizing its technologies and activities as an automobile manufacturer and working with people in various fields and with diverse perspectives to address social issues.

Uchiyamada: What is the direction that Toyota is pursuing with respect to mobility that goes beyond the existing automobile community? Toyota has executed leadership and is taking various actions in collaboration with companies in non-automobile businesses. What is the direction that Toyota is pursuing with respect to mobility that goes beyond the existing automobile community? Toyota has executed leadership and is taking various actions in collaboration with companies in non-automobile businesses.

Unno: Finally, I note that Toyota introduced external directors this fiscal year. Would it be fair to say that in addition to having a transparent board of directors, Toyota believes that it is also important to incorporate stakeholders’ commitment in the key stages of the decision-making process?

Uchiyamada: We introduced external directors not just to secure mechanisms, but also to examine individual actions from diverse perspectives and obtain advice. We have had external corporate auditors for a long time, and an organization known as the International Advisory Board has been convened which consists of advisors to global Toyota selected from all around the world. In each country and region, we have systems for viewing things from outside in individual managing companies. It is best to have mechanisms where governance is undertaken automatically in day-to-day operations, and we have various people observing our operations to complement these mechanisms.

Chairman Dialogue
Always Better Cars

Customers’ expectations and ways of using cars vary widely.

- Easy-to-use
- Good styling
- Smooth driving
- Reasonably priced
- Durability
- Comfortable ride
- Advanced technologies
- Environmentally considerate
- Quality
- Safety
- Environment

KPI for Always Better Cars in FY2012

**Quality**
- J.D. Power (US) Initial Quality Study (IQS) ranking No. 1
- Percentage of calls taken at the Toyota Customer Assistance Center: 94%

**Safety**
- No. of models that acquired NCAP 5-star safety rating (total for Japan, US, Europe and China): 8 models

**Environment**
- Cumulative hybrid vehicle sales (as of the end of December 2012): 4.794 million units
- Global average fuel efficiency (Japan, US and Europe) (index assuming the 1997 figure to be 1): 1.43
Aiming for the Best Suited Vehicles

Toyota aims to manufacture vehicles that earn smiles from our customers in each country and region through our business activities that are strongly entrenched in those countries and regions.

To achieve this basic stance toward doing business outside Japan is to contribute to the development of the economy, employment, transportation, and other areas of the country in question through the automotive industry. This stance has underpinned Toyota’s initiatives in emerging nations in particular over the past half century as it has made operations more deeply rooted in local regions and manufactured vehicles that earn smiles from our customers. The global network that Toyota has built to date forms a solid base to make ever better vehicles going forward.

The IMV Project has to date launched a number of different models specifically developed for emerging nations by Toyota. Amid our plan to produce vehicles in emerging nations, and sell more than one million vehicles a year to more than 100 countries and regions around the world, Toyota began exporting the small car Etios and the Etios Liva hatchback, produced by Toyoda Ftis, a subsidiary of Toyota Motor Corporation, and subsequently develop specific models that are tailored to local customer preferences and usage environments. Furthermore, in order to reduce costs and improve efficiency, Toyota has consolidated the original 11 small-scale production bases into four plants, allowing us to provide vehicles at an even more affordable price, put in place a production system that eliminates customer waiting time after an order has been placed, and institute a more fulfilling after-sales service system.

Key Development Aspects of the IMV Project Aimed at Providing Customers with Vehicles that Earn Smiles from Our Customers

Automobile markets in emerging nations are growing every year in tandem with their developing economies. In particular, the number of customers wanting compact cars is increasing. In response to this situation, Toyota has positioned the Asia region (primarily ASEAN nations) as its “second home base” and is strengthening the production and supply of compact cars there as a second pillar of its business in Asia alongside the IMV Project.

Starting with the Etios launched in India in December 2010, Toyota intends to introduce a total of eight different compact car models specifically developed for emerging nations.

Future Initiatives

Positioning of the Asia region as Toyota’s “second home base”
Make better compact cars that meet market needs based on customer feedback.

Annual sales of one million compact cars, across eight different models, aimed at emerging nations.
Vios Development Started with a Return to the Viewpoint of Customers in Growth Markets

At the Bangkok Motor Show in Thailand in March 2013, Toyota debuted the new Vios, a compact car specifically designed for emerging nations. Developed based on the concept of sharing the dream of car ownership with first-time buyers, the Vios has achieved the highest level of comfort and fuel efficiency within its class, along with a refined exterior, providing the ultimate in the joy of car ownership, the pleasure of driving, and comfort.

In economically thriving emerging nations, customer needs are rapidly evolving. To precisely satisfy customers’ needs at an affordable price, the new Vios features carefully selected performance levels, equipment, and specifications.

The Vios, along with the Echo, is positioned as the ultimate car to lead the expanding compact car market in emerging nations.

From the developer

The excitement on the children’s faces when that first car is delivered, the father’s proud smile, the happy times the family will spend traveling in that vehicle—these are the images we set out to create a car that would allow us to share this dream and this joy with customers. To that end, it was important for us to create a car with amazing value at a genuinely affordable price. We revised the usual approach of planning for normal evolution in a redesign and carefully selected the performance and equipment that customers really need. One such example is the inclusion of an audio system compatible with a USB-based external media player. We listened to customer input because we wanted to develop the new Vios as a car that would bring joy and the realization of their dreams to as many customers as possible.

Takeshi Matsuda
Chief Engineer for the Vios

Three Key Selling Points of the Vios

Dynamic exterior design and interior quality feel to create a “class-above” presence

The exterior, interior, and car color bolster the visual impact, and everything including the specifications and quality provide complete value. The “class-above” presence expresses a magnificence that the owner will want to proudly present to family members and friends.

Class-surpassing spacious cabin and luggage space

An expanded vehicle size has enabled a class-leading spacious cabin and luggage space. An hospitality space, particular attention was paid to the comfort of the rear seats. Extensive surveys on actual luggage space usage have led to a large trunk space that is easy to use.

The Toyota brand’s high levels of basic performance and durability

The Vios was developed with particular attention given to the basic performance of “moving,” “turning” and “stopping” as well as reliability so that customers would truly appreciate its greatness once they drive and use it for a while. The Vios also features excellent driving stability and riding comfort that allow the driver to drive it with a sense of security even on rough roads.

New Yaris Premiered at the Shanghai Auto Show

Toyota displayed the new Yaris as a world premier car at the Shanghai International Automobile Industry Exhibition held in April 2013. Production and sales of the new Yaris, based on the global-strategic concept car unveiled at the Beijing Auto Show last year, will commence in China at the end of 2013. Two world premiers can be sold exclusively in China were also on display at the show: a concept car equipped with a hybrid system currently under development and a six-seater developed to appeal to young Chinese consumers.

Focus

Making Always Better Cars for the Japanese, European, and North American Markets

Toward the realization of the Toyota Global Vision and to achieve sustainable growth, Toyota restructured its automotive operations into four business units in April 2013. With the goal of building a truly competitive business group, Toyota No. 1 will be responsible for the Japanese, European, and North American markets while Toyota No. 2 will be responsible for markets in emerging nations. Each of these units will handle the entire business process from product planning to production and sales. This section describes the initiatives taken in FY2012 in the Japanese, European, and North American markets.

Initiatives in Japan

Crown Reborn with Completely New Styling, Technologies, and Production and Sales Methods

The original “Crown” debuted in 1970s and established a tradition of nays of cars. The Crown has since evolved into a sedan that leads the premium car market in Japan. The 14th generation of the Crown debut in December 2012, with its new styling that reflects the technologies and performance that give customers peace of mind and gain their trust. The new Crown has been “YOURMIX” as a new Toyota symbol, designed around the core concept of achieving innovation, and stands at the forefront of the company’s ongoing efforts to make always better cars that exceed customer expectations.

Initiatives in Japan

New Porte/Spade Now Available as Welcabs

Based on the philosophy of providing freedom of mobility in comfort to all people, Toyota has been developing a wide variety of Welcabs* to provide safe and comfortable vehicles for people with physical disabilities, the elderly, and their caregivers. In FY2012, Toyota enhanced its lineup to offer 58 types of Welcabs in 29 vehicle series in order to address the diversifying needs for accessible mobility solutions.

The new Porte/Spade Welcab launched in July 2012 features a detachable passenger seat that can be used as a wheelchair and even offers a dedicated wheelchair directly into the front passenger seat area, the only vehicle to offer such features in Japan. *Specially-equipped vehicles with factory-installed features for disabled people. The name has been coined from the words “welfare” and “cabin.”

Initiatives in North America

New Avalon Launched Designed by North American Team for the North American Market

The Avalon has been Toyota’s flagship U.S. sedan in 1994 and has been produced and sold in the U.S. This top-of-the-line sedan continues to evolve in response to the needs of U.S. customers. On October 30, the same day it commemorated cumulative total production of 25 million vehicles in North America, Toyota held a line-off ceremony for the 6th generation of the Avalon, and sales began in December. The entire process of creating the new Avalon, from styling to design and production, was carried out by an all-U.S. team led by the first-ever American chief engineer: Not only did Toyota achieve a longer yet striking styling in the new Avalon, “Made/Born in the U.S.A.,” but also made available a hybrid powertrain for the first time.

Initiatives in Europe

New Auris and Hybrid Version Launched as Part of the European ROBEn project

In Europe where environmental awareness in high and hatchbacks and compact cars are very popular, Toyota launched the Auris HSD following the Yaris HY. European governments offer excellent subsidies for the purchase of environmentally considerate cars. For example, in Italy, about half of all taxes are for hybrids. The new Auris line-off ceremony (in November 2012) was attended by approximately 100 people, including Dr. Vincente Cedeño-Sendrino. Secretary of State for Business, Innovation and Skills, (Britain), President, Toyota Motor Europe (TME), other government and local officials, and media personnel. The key project in Europe and a popular topic of conversation at the Paris Motor Show for its innovative design, the Auris attracted a great deal of attention and high expectations.

3.5% of the Vios in production

Toyota

Takeshi Matsuda
Chief Engineer for the Vios

Gateway Plant (Thailand) where the Vios is produced

The new Yaris

The name has been coined from the words ‘welfare’ and ‘cabin.’
Initiatives to Improve Quality

Toyota's Basic Philosophy Regarding Quality

Quality is achieved through the integration of various business activities, including development, design, purchasing, production, sales and after-sales service. Each area is indispensable in the delivery of satisfactory quality to customers.

Toyota continues to aim to put the principles of “Customer First” and “Quality First” into practice and to respond to the expectations of customers and society at large. That is why every member across Toyota’s operations maintains high consciousness of quality, takes ownership for issues that may arise and responsibility for implementing improvements. All areas cooperate closely with one another towards enhancing customer confidence and trust in Toyota.

Customer First and Quality First Activities Promoted and Enhanced through the Customer First Promotion Group

In April 2012, with the goal of becoming a quality leader from the customer’s perspective, Toyota combined the Customer Service Operations Group and the Quality Group to establish the Customer First Promotion Group. The Customer First Promotion Group is promoting various customer-first and quality-first initiatives with the major objectives of improving the ability to respond quickly to quality issues, bolstering support for after-sales service functions at dealers and distributors, and strengthening internal systems toward quality improvements. The Customer First Promotion Group, which acts as a direct link between customers and the appropriate internal departments, is striving to proactively disseminate market information as a customer advocate, strengthen initiatives to discover and resolve issues early by paying utmost attention to initial reports of quality issues from customers, and enhance Toyota’s ability to support dealers with troubleshooting and repair.

Major Activities in Each Area for FY2012 and Plans for FY2013

Sales and after-sales service

• Start of initiatives to pay greater attention to initial reports of quality issues from customers, with the goal of discovering and responding to the root causes of the problem as early as possible.
• Enhancement of Toyota’s ability to provide availability to explain issues including diagnosis and repair by utilizing remote information on the vehicle’s current status.
• Improvement of diagnosis and repair frameworks to strengthen activities at the service advisors’ level (Customer Service Field) through education and certifications in order to increase customer satisfaction/confirmation

FY2013: Initiatives taken from the customer’s perspective to strengthen Toyota’s capabilities to completely solve problems at the factory.

Sales and after-sales service

• Promotion of vehicle development that gives customer safety and assurance the highest priority
• Collaboration with suppliers to ensure high levels of quality through improvement of systems for on-site quality assurance

Development and design

• Collaboration with suppliers to ensure high levels of quality through improvement of systems for on-site quality assurance

Quality Assurance

• Collaboration with suppliers to ensure high levels of quality through improvement of systems for on-site quality assurance

Ensuring Quality in Product Safety and Taking Steps to Steadily Improve Customer Confidence

In addition to working with production engineering and manufacturing divisions to ensure product safety, development and design divisions are working on developing various products in order to improve customer confidence. One example is the work being done on developing a method of issuing warnings that can be easily understood by customers based on the philosophy of helping the customer feel safe even if an unlikely failure occurs. For example, in the past, when a brake fluid leak occurred, only a warning light would light up on the dashboard display. In order to properly communicate to the customer what has happened and what action should be taken, Toyota has begun adapting a warning method that also sounds an alarm in addition to showing the warning details on the display.

Promoting Customer Satisfaction Initiatives Globally to Achieve Satisfaction Levels that Surpass Customer Expectations

High product quality and excellent sales and after-sales services are both essential to customer satisfaction and must be improved. By thoroughly understanding how each customer feels, Toyota is striving to improve customer satisfaction. In its global customer satisfaction initiatives, Toyota is pouring resources into educating dealer staff and is working to strengthen the skill levels of Service Advisors, repair technicians, and vehicle body parts technicians through an education/certification system. At the same time, Toyota is also enhancing its operations through standardization of and improvements to on-site operations, such as servicing processes, parts supply, and sales and after-sales service linkages.

Global Initiatives

Strengthening Quality Improvement Activities Globally in Collaboration with Individual Regions

In April 2013, Toyota held the Global Chief Quality Officer (CQO) Meeting, participated by officers in charge of quality at all regional affiliates. The status of customer confidence recovery since the series of quality issues occurred and examples of the quality-improvement activities being promoted in each region were shared globally. The officers reviewed the quality-related initiatives taken over the previous year and reaffirmed their commitment to continue working on improving quality in FY2013 from the customer’s perspective in the areas of both product quality and sales and after-sales services.

Strongly demonstrating the system for developing human resources involved in various quality aspects by incorporating the lessons learned from quality issues

Designating February 24, the date when a public hearing on quality issues in North America was held, as the “Toyota Restart Day” Toyota has been moving forward to build a framework that will ensure that the focus on quality remains in place. By incorporating this framework into company-wide education, Toyota is working to develop global human resources involved in various quality aspects.

In FY2012, Toyota enhanced its Customer Quality Learning Center, a hands-on learning facility where employees can learn based on the bench process (on-site, hands-on experience) concept. In addition to classroom learning, the Center provides learning aids that involve all five senses, such as panels, videos and actual customer feedback, and is expanding its use in employee education and various events.

The Toyota team that won 1st place in the International Service Champions’ Assembly

The Toyota team that won 1st place in the Global Customer Quality Learning Center, a hands-on learning facility for Toyota’s Restart Day on display.
Applying Customer Feedback to the Creation of Better Products and Services

Toyota’s principle of Customer First exists for the purpose of providing customers with products and services that earn their smiles. On this basis, Toyota hopes to offer cars with superior features in terms of environmental, safety and quality performance, while also offering the intrinsic appeal of cars, such as driving performance, at an affordable price.

Toyota Customer Assistance Center and Lexus Information Desk

The Toyota Customer Assistance Center, as well as the Lexus Information Desk dedicated to Lexus brand models, offer toll-free phone consultation 345 days a year and accept customer service requests 24 hours a day in Japan. With this convenient customer-oriented system, Toyota offers speedy, appropriate and empathetic responses to customer inquiries, and listens to customer opinions and requests, based on the principle of Customer First.

At the same time, Toyota undertakes initiatives to link this feedback to the creation of better products and services. Furthermore, the Salesperson Support Desk was established in order to support dealers in implementing the Customer First principle.

Toyota also conducts surveys of customers who use the telephone service via an automated response system, in an effort to make further improvements. In FY2012, 420,000 telephone calls were received, of which 352,000 were for customer-oriented support. 76,000 were for matters of consultation, 36,000 were for expressing opinions and making requests, and 32,000 were related to salesperson support.

Ongoing Customer First Staff Education

Toyota has named the nationally designated Consumer’s Month of May as Customer’s Month, and is continuing to undertake initiatives aimed at permeating awareness of the Customer First principle throughout the company.

In FY2013, Toyota held customer feedback experience seminars, exhibitions, and lectures with the aim of encouraging them to perceive customer feedback with a sense of ownership and to take action. These events were based on the theme “What areas of your behavior have changed in what ways in order to be rewarded with the smiles of customers?” As part of internal training, Toyota also holds customer feedback experience seminars throughout the year to monitor customer feedback at the Customer Assistance Center.

Improved Quality Ratings by Third Parties

Toyota has repeatedly been acknowledged in surveys and consulting organizations specializing in surveys and consulting in customer satisfaction. Toyota cars won the first place in seven segments: Lexus ES 350, Lexus RX, Scion xB, Scion xD, Toyota Prius, Toyota Sienna, and Toyota RAV4. In the study, the Lexus RX had the highest satisfaction, Toyota cars won the first place in seven segments: Lexus ES 350, Lexus RX, Scion xB, Scion xD, Toyota Prius, Toyota Sienna, and Toyota RAV4. In the study, the Lexus RX had the highest satisfaction, while also offering the intrinsic appeal of cars, such as driving performance, at an affordable price.

Customer Feedback from Each Country and Region

In order to offer products and services based on the Customer First principle, Toyota has established customer assistance centers not only in Japan, but also in the U.S., Europe, other Asian countries, and at each distributor around the world. Some encouraging customer feedback received at these centers is listed below.

Customer Feedback Received by Toyota

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Initiatives for Improving Traffic Safety

Status of Traffic Accidents around the World and Toyota's Basic Philosophy Regarding Safety

According to a World Health Organization (WHO) survey, 1.24 million people worldwide die in traffic accidents each year, making them the eighth-leading cause of death. While the number of deaths due to traffic accidents has been decreasing slightly in Japan, North America and Europe, it has been steadily increasing in emerging nations where traffic safety education and transportation infrastructure have not kept up with increases in the number of cars on the road. On a global scale, traffic fatalities continue to increase steadily and are expected to become the fifth leading cause of death by 2030 unless countermeasures are implemented.

To achieve Toyota’s ultimate goal of completely eliminating traffic casualties, developing safe vehicles is of course important, but it is also essential to educate drivers and pedestrians regarding traffic safety and to create a safe traffic environment. Toward achieving a safe mobility society, Toyota believes it is important to promote an Integrated Three Part Initiative involving people, vehicles, and the traffic environment, as well as to pursue “real-world safety” by learning from accidents and incorporating that knowledge into vehicle development. Toyota has also defined its Integrated Safety Management Concept as the basic philosophy behind technologies for achieving the elimination of traffic casualties and is moving forward with developing such technologies.

Integrated Three Part Initiative involving People, Vehicles and the Traffic Environment

Pursuing Real-world Safety by Learning from Actual Accidents and Reflecting the Results in Products

Toyota's Approach is to Improve the Safety Level through Development of Various Safety Systems that Work Together in a Car Rather Than Separately

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Integrated Safety Management Concept

Toyota’s approach is to improve the safety level through development of various safety systems that work together in a car rather than thinking of each separately. In the pursuit of optimum driving support, the scope of driver support is widened from the traditional focus on the moments immediately before and after an accident, to cover “every stage of the driving experience” from parking, to normal operation, the pre and post-crash time-frame, and post-accident rescue.

Integration of Individual Technologies and Systems

Issues Include Rear-end Collisions, Accidents at Intersections [Corner-to-corner Collisions, Collisions during Right/Left Turns] and Collisions Caused by Pedal Misapplication

In Japan, rear-end collisions account for approximately 30 percent of all accidents, followed by accidents at intersections, such as corner-to-corner collisions. More recently, accidents in parking lots caused by drivers, especially elderly drivers, who mistake the accelerator for the brake pedal have also become a major social issue. With the goal of creating vehicles that are safe for everyone, Toyota is developing safety technologies that help minimize damage even when accidents occur.

Initiatives to Help Prevent Rear-end Collisions [Factor 1]

Using a driving simulator, 113 drivers in their 20s through 60s were tested. Drivers who failed to apply the brakes 13% Drivers who applied the brakes 87%

Analyzing Actual Traffic Accidents to Develop Real-world Safety Measures and Technologies toward the Elimination of Traffic Casualties

To reduce the number of rear-end collisions requires technologies that help reduce damage or avoid the collision all together by enabling the driver to sense a potential collision and be prepared. Before such systems and technologies can be developed, it is necessary to investigate the actual conditions surrounding rear-end collisions. Based on the pursuit of real-world safety, Toyota has used a driving simulator to investigate driver behaviors during rear-end collisions. The results showed that approximately 90 percent of drivers were able to apply the brakes in time if warned prior to a potential rear-end collision. Based on this result, Toyota developed a system that addressed both those drivers who were able to apply the brakes and those who were not. This new system, which uses powerful brake assist and an automatic brake to help drivers avoid rear-end collisions, was developed by adding functional enhancements to the Pre-collision System.

Pre-collision System Developed based on Toyota's Original Safety Philosophy

Working with test results showing that approximately 90 percent of drivers were able to apply the brakes in time, Toyota is pursuing real-world safety. Toyota’s Pre-collision System (PCS), based on the belief that the driver must be fully engaged, assists drivers who are able to apply the brakes upon hearing an alarm by greatly increasing the braking force in the collision-avoidance maneuver, but also uses an automatic brake to avoid the collision if the driver fails to apply the brakes. If there is a risk of a rear-end collision with the preceding car, the newly developed millimeter wave radar quickly detects the risk and warns the driver with both a buzzer and display, prompting the driver to apply the brakes.

When the driver applies the brakes, the PCS enables deceleration of up to 60 km/h by greatly increasing the braking force. If the driver fails to apply the brakes, PCS activates the automatic brake to help avoid a rear-end collision by automatically decelerating the vehicle at a rate of up to 30 km/h. Toyota believes that deceleration of 60 km/h will prevent at least 90 percent of rear-end collisions. In addition to these safety technologies that assist drivers, Toyota is also developing technologies for a PCS with pedestrian detection and collision avoidance support functions.

Conceptualization of the Pre-collision System

1 When the driver’s car is traveling at 60 km/h and the preceding car is traveling at 20 km/h, the PCS enables deceleration of up to 60 km/h.
2 When the rear car is traveling at 50 km/h and the preceding car is traveling at 20 km/h, the PCS enables deceleration of approximately 20 km/h (if the brakes are not applied, the rear car will decelerate approximately 20 km/h even when the brake pedal is not pressed).
Sustainability Report 2013

Initiatives to Help Prevent Collisions Caused by Pedal Misapplication (Factor 2)

Characteristics of Collisions in Parking Lots Caused by Driver Error

Each year, the approximately 7,000 collisions (in Japan) caused by pedal misapplication result in a higher death rate than collisions caused by other driver errors. In most cases, these collisions are caused by elderly drivers, panicked drivers, or drivers operating unfamiliar vehicles. Because it is difficult for the driver to take a corrective step once pedal misapplication has occurred, it is important for the vehicle itself to provide assistance. Toyota is developing a system that will help reduce both collision impact and damage even if the vehicle suddenly stops due to driver error.

Initiatives to Help Prevent Pedestrian Collisions Caused by Vehicle Infrastructural Cooperative Systems (Factor 3)

Reducing the Number of Traffic Accidents by Utilizing Intelligent Transport System (ITS) Technologies

Traffic accident statistics show that accidents at intersections (corner-to-corner collisions and collisions during right/left turns) account for approximately 70% of all traffic accidents. Because corner-to-corner collisions at intersections with poor visibility are difficult to prevent with safety equipment installed in cars alone, it is hoped that ITS technologies will help reduce this type of accident.

Detection of Obstacles Ahead or Behind

Intelligent Clearance Sonar

This system helps reduce the impact and damage caused by collisions with an obstacle, when the driver presses the wrong pedal or excessively steps on the accelerator pedal. When the clearance sonar detects an obstacle the vehicle is at risk of colliding with, such as a wall, when starting off in a parking garage or other similar environment, the system warns the driver with a buzzer and display, reduces engine or motor output depending on the situation and automatically applies the brakes.

When Vehicle Approaches an Obstacle with the Accelerator in the ON State when Starting Off

Drive-start Control

Limits Sudden Starts Due to Erroneous Gear Stick Shifting

This system prevents sudden starts caused by erroneous shifting of the vehicle’s shift lever when the accelerator pedal is applied. If either the wrong gear is selected or the foot is pressed while the clutch pedal is released, the vehicle will automatically apply the brakes.

Reduces the Engine Output and Warns the Driver in the Scenarios Below

1. Collision during backing
2. The driver shifts from R to D while erroneously stepping hurriedly on the accelerator pedal released the brake
3. Sudden starts or braking

Focus

The Corolla, Pursuing the Highest Safety Performance Level within Its Class, Receives Five-star Rating from JNCAP

In the FY2012 Japan New Car Assessment Program (JNCAP), the Corolla Fielder and Corolla Axio received the maximum five-star rating for achieving the highest level of safety*. These models employ impact-absorbing bodies and high-strength passenger cabins in compact body sizes. In addition, a high passenger safety performance is realized for both front and rear seats by featuring six SRS airbags including side and curtain shield airbags, 3-point seatbelt with pretensioner and force limiters (front seat and left/right sides of rear seat) as standard equipment†. Furthermore, features such as the newest pedestrian-impact absorbing vehicle body structures received high ratings, helping the Corolla Fielder and Corolla Axio to become the first models to receive a five-star rating in the compact vehicle class (with displacement of 1,500 cc or less), confirming their safety performance level as the highest within their class.

Social Contribution Activities

Safe-driving Programs and Traffic Safety Classes at “mobilitas”

The Toyota Safety Education Center “mobilitas” holds a safe driving program called Toyota Driver Communication, targeting the general public, corporations, and other organizations. Participants learn how to use safety equipment and safety experience how vehicles behave when driven beyond their limits. “mobilitas” also holds hands-on traffic safety events together with local governments, corporations, and dealers. Participants engage in various activities that raise their level of safety awareness, such as the simulated experience of walking under the influence of alcohol and the benefits of using reflective materials.

* “Intelligent Clearance Sonar” helps reduce the risk of colliding with obstacles by automatically applying the brakes when an obstacle is detected.
† Features such as the newest pedestrian-impact absorbing vehicle body structures, impact-absorbing hood structure, impact-absorbing bumper structure, and high-humidity/heat-resistant seat material.
‡ For further information on Toyota’s social contribution activities, please see p.53.
Environmental Initiatives

In Pursuit of the Ultimate Eco-car

Among its initiatives to make sustainable mobility a reality so that people can coexist in harmony with the environment, Toyota has been concentrating its efforts on developing the ultimate eco-car. Because fossil fuels are finite, energy diversification is essential. At Toyota, we will continue to develop various vehicles, along with our emphasis of conventional vehicles and hybrid vehicles as fundamental core technology while pursuing further advancement. Based on these core technologies, Toyota will develop next-generation vehicles utilizing alternative fuels such as gas, electricity and hydrogen.

Using Various Types of Next-generation Eco-cars According to Benefits, Customer Needs, and Usage Mode

As alternatives to petroleum, gas, electricity, and hydrogen will be produced from primary energy sources, including petroleum and sunlight, to drive EVs, PHVs and FCVs. Toyota believes that these next-generation eco-cars will be increasingly utilized in the future for specific applications depending on customer needs and usage mode. Therefore, Toyota is taking a comprehensive approach to developing EVs, PHVs, and FCVs using hybrid technologies as the core.

Hybrid Technologies as the Powertrain Core

Cars are likely to continue using petroleum as their main fuel for the time being, but will eventually diversify into using alternative energy sources such as electricity, hydrogen, and biofuels. In the process leading to the ultimate eco-car, having the “right vehicle, for the right place, at the right time” is essential. Therefore, Toyota is positioning hybrid technologies that employ core technologies for components such as the motor, power control unit, and battery as the technologies of the future as it proceeds with the development of future eco-cars.

Fuel Cell Vehicle (FCV), the Nearest Thing yet to an Ultimate Eco-car, Nears Mass Production

Since FCVs use hydrogen as fuel and emit no air-polluting CO₂, they can be considered very close to the ultimate eco-car. Toyota is moving forward with plans to begin mass production of FCVs in 2015. To ensure an adequate supply infrastructure, Toyota is also establishing hydrogen-charging stations in major metropolitan areas.

FCV with Improved Performance Nears Commercial Launch

Toyota began selling its first fuel cell hybrid vehicles (FCHVs) on a limited basis in 2002. In 2005, Toyota acquired Japan’s first vehicle type certification for its FCHV and leased a total of 20 vehicles in Japan and the U.S. In 2008, Toyota commercialized its improved FCHV and leased more than 100 units. In this improved model, the maximum pressure for the hydrogen storage tank was increased from 35 MPa to 70 MPa, thus extending the cruising range on a full charge to more than 800 km. So far, Toyota FCHVs have traveled a total distance exceeding two million kilometers in Japan, the U.S., and Europe. Toyota’s FCV is based on a hybrid system that combines fuel cell technology with a battery that assists with quick acceleration and stores the energy recovered during braking, thereby improving the vehicle’s fuel efficiency. The Toyota FCV, the nearest thing yet to an ultimate eco-car, is almost here and nearing commercial launch with improved performance.

Development of an External Power Supply System for Toyota’s Fuel Cell Bus

Toyota has developed an external power supply system that enables the fuel cell bus to supply electricity it generates to power home appliances. Since a fuel cell vehicle converts hydrogen into electrical energy, it can generate electricity without emitting any CO₂. It is possible to install a power supply system capable of outputting AC power (100 V and 1.5 kW) inside the bus to supply a maximum of 3 kW of power for 100 hours or more. Toyota is also in the process of developing a system that will supply this electricity through the electrical wiring of buildings, with the goal of continuously supplying a maximum of 9.8 kW for around 50 hours.

The FC BUS External Power Supply System and the Concept of using the V2H (Vehicle to Home) System to Supply Power

• Inspection takes much less time because there is no need to replenish oils
• This bus runs so quietly that pedestrians and bicyclists don’t notice its approach.
• Driving this bus is not tiring because it runs quietly with little vibration.
• Excellent acceleration at start-up and hill-climbing performance, easy to handle, and very smooth driving performance.
• Driving this bus is not tiring because it runs quietly with little vibration.
• Driving this bus is not tiring because it runs quietly with little vibration.

Toyota and BMW Group Sign Agreement to Collaborate in Developing FC System

In January 2013, Toyota concluded an agreement with the BMW Group on joint development of a fuel cell system. The agreement calls for the two companies to bring together their technologies to develop a fuel cell stack system, as well as other basic system components such as the hydrogen tank, motor, and battery. By 2020, Toyota and the BMW Group will also cooperate on drawing up specifications and standards related to the establishment of the infrastructures necessary for promoting the widespread use of FCVs.

TOPICS

- Development of an External Power Supply System
- Fuel Cell Vehicle (FCV), the Nearest Thing yet to an Ultimate Eco-car, Nears Mass Production
- Toyota and BMW Group Sign Agreement to Collaborate in Developing FC System

Environmental Initiatives

In Pursuit of the Ultimate Eco-car

Among its initiatives to make sustainable mobility a reality so that people can coexist in harmony with the environment, Toyota has been concentrating its efforts on developing the ultimate eco-car. Because fossil fuels are finite, energy diversification is essential. At Toyota, we will continue to develop various vehicles, along with our emphasis of conventional vehicles and hybrid vehicles as fundamental core technology while pursuing further advancement. Based on these core technologies, Toyota will develop next-generation vehicles utilizing alternative fuels such as gas, electricity and hydrogen.

Using Various Types of Next-generation Eco-cars According to Benefits, Customer Needs, and Usage Mode

As alternatives to petroleum, gas, electricity, and hydrogen will be produced from primary energy sources, including petroleum and sunlight, to drive EVs, PHVs and FCVs. Toyota believes that these next-generation eco-cars will be increasingly utilized in the future for specific applications depending on customer needs and usage mode. Therefore, Toyota is taking a comprehensive approach to developing EVs, PHVs, and FCVs using hybrid technologies as the core.

Hybrid Technologies as the Powertrain Core

Cars are likely to continue using petroleum as their main fuel for the time being, but will eventually diversify into using alternative energy sources such as electricity, hydrogen, and biofuels. In the process leading to the ultimate eco-car, having the “right vehicle, for the right place, at the right time” is essential. Therefore, Toyota is positioning hybrid technologies that employ core technologies for components such as the motor, power control unit, and battery as the technologies of the future as it proceeds with the development of future eco-cars.

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In the modern world, so many issues, including energy shortage, resource shortage, global warming, loss of biodiversity, food and water shortages, poverty, discrimination, unemployment, and aging populations, are prevalent and continue to spread globally.

Against this backdrop, corporations must work to help solve these issues as members of the regions where they operate.

In its Global Vision, Toyota articulates its intention to contribute to "enriching lives of communities." Toyota hopes to continue working with people in local communities to achieve this goal. Toyota’s efforts will include improving product performance, making cars that are environmentally considerate throughout their entire lifecycle, creating a comfortable next-generation society together with local stakeholders by utilizing the technologies Toyota currently possesses in other fields, and enriching lives of communities through social contribution activities.

### KPI for Enriching Lives of Communities in FY2012

**Environment**
- Total CO2 emissions (global) 7.59 million tons
- Total waste volume (global) 487 thousand tons
- Total water consumption (global) 29.2 million m³
- Vehicle recycling/recovery rate in Japan 99%

**Collaboration with dealers and suppliers**
- Number of parts suppliers (worldwide total) 2,686 companies
- Number of dealers (worldwide total excluding Japan) 8,725 bases

**Contribution to local communities**
- Total expenses for social contribution activities (consolidated) 13.7 billion yen
Through its initiative to enrich lives of communities, Toyota hopes to contribute to creating Japan’s future through monozukuri (manufacturing), developing people, and developing regions. Toyota is starting this initiative in Tohoku, a key production base for its compact cars, helping the region rebuild itself into a new community.

To promote monozukuri at one with the region, Toyota Motor East Japan, Inc. was established in July 2012 with Tohoku as its base for making the most competitive and attractive compact cars in the world. In its effort to develop people, Toyota founded the Toyota East Japan Technical Skills Academy in April 2013 to develop human resources that will form the core of monozukuri. Furthermore, to contribute to regional development, Toyota established the F-Grid Concept to build infrastructures that would support manufacturing, developing people, and developing regions. In this way, the entire Toyota Group continues to work on helping restore Tohoku through monozukuri, developing people, and developing regions.

Monozukuri: (Manufacturing) Automotive Business

Taking Advantage of Tohoku’s Unique Strength in Monozukuri and Working with Local Monozukuri Industries to Improve Competitiveness

Resilient production structures, high levels of technology achieved in cooperation with suppliers, and monozukuri with high value addition represented by hybrid vehicle development were all born in Japan. Capitalizing on these strengths and refining Japan’s monozukuri can improve Japan’s global competitiveness. As Toyota’s third manufacturing hub in Japan, Tohoku plays an important role toward this goal. Toyota Motor East Japan, Inc. (TMEJ) was established in July 2012 by merging together Kanto Auto Works, Ltd., Central Motor Co., Ltd., and Toyota Motor Tohoku Corporation with the mission of “Using Tohoku as the base for making the most competitive and attractive compact cars in the world.” The company hopes to contribute to local employment and the promotion of related industries by working with local monozukuri industries to build Tohoku into a major car manufacturing location.

Monozukuri: New Businesses

New Agriculture-Commerce-Industry Collaboration Project Starts with Goal of Increasing Self-sufficiency in Japan

In July of this year, TMEJ and Toyota Tsusho jointly established Vegi Dream Kurihara Corporation’s third paprika growing facility on approximately three hectares of land adjacent to the Miyagi-Quake Plant of TMEJ Head Office and began full-scale cultivation of paprika. Paprika was chosen because 90 percent of paprika consumed in Japan is imported. The plant grows 10 different colors of paprika in a greenhouse with reduced use of agricultural chemicals and expects production of around 315 tons/year.

Furthermore, the heat for the greenhouse is supplied from the F-Grid and water is supplied from a rainwater tank, enabling an ultra energy-saving and competitive farming operation. Vegi Dream Kurihara’s goal is to establish a new model of collaboration between agriculture, commerce, and industry to expand the market for fresh, domestically grown agricultural products through a safe, secure supply, thus increasing Japan’s self-sufficiency.

Competitive Paprika Farming with the Heat to the Greenhouse Supplied by the Plant
Toyota East Japan Technical Skills Academy, Designed to Support Monozukuri (Manufacturing) in Tohoku and Develop the People Who Will Create its Future, Opens Its Doors in April

Toyota established the Toyota East Japan Technical Skills Academy, an intra-corporate training school inside the site of the Miyagi Ohira Plant of the Toyota Motor East Japan Head Office, to develop people and support regional revitalization through monozukuri at one with the region from a medium- to long-term perspective. Based on Toyota’s philosophy of “monozukuri is about developing people,” the Academy’s work to develop people targets young leaders who will carry Tohoku’s monozukuri heritage into the future under an integrated three-part initiative.*

* Consists of three main activities: “human resource development,” “environmental and energy management” and “coordination with local communities”

System for Developing People Who Will Help Build Tohoku’s Future through Technical Education Based on the Concept of Genchi Genbutsu (On-site Hands-on Experience)

Genchi genbutsu is the philosophy behind the Toyota East Japan Technical Skills Academy, which focuses on technical education to help students learn from the Tohoku people’s attitude of using things wisely and the monozukuri spirit from the old days of Japan through genchi genbutsu. For example, it incorporates Wakayanagi Jiori, a traditional cotton cloth-weaving craft with deep roots in Tohoku.

Toyota East Japan Technical Skills Academy
Practical training for basic technical skills at the Toyota East Japan Technical Skills Academy

From a student from the inaugural class who had spent a year at the Specialized Skills Department of the Toyota Technical Skills Academy in Aichi Prefecture before the opening of the Toyota East Japan Technical Skills Academy:
To all the staff members of the Toyota Technical Skills Academy, thank you very much for teaching me so much over the past year. I learned the Toyota framework spirit, which encourages everyone to work together to achieve a unified goal utilizing our skills knowledge, minds and bodies. Thanks to the healthy lifestyle habits I learned at the Academy, I was able to attend all my classes without missing even a single day. I hope to help with regional development and the restoration of Tohoku through monozukuri in the future.

Masaki Ishigaki
Instructor of the Toyota East Japan Technical Skills Academy inaugural class.

Supporting Development of People Who Will Contribute to Monozukuri in the Region

The Tai Gallery, opened inside the Academy, allows students to come into direct contact with local communities that are pushing forward with energy technologies and the joy of monozukuri.

Tai Gallery

As part of its initiative to contribute in whatever way it can as a car company, the Academy hosts "Tai Gallery Nights" at the Tai Gallery, allowing people to gather with experts to help nurture the future leaders of the 21st century.

To further information on Toyota’s social contribution activities, please see pp 52-55.

Developing the Region

Starting in Tohoku to Build Disaster-Resistant Communities Where Regions and Factories Provide Mutual Energy Support

To help communities recover quickly following a disaster and retain solar panels, batteries, satellite phones, etc. to help communities recover quickly following a disaster and retain solar panels, batteries, satellite phones, etc. to help communities recover quickly following a disaster and retain solar panels, batteries, satellite phones, etc. to help communities recover quickly following a disaster and retain solar panels, batteries, satellite phones, etc. to help communities recover quickly following a disaster and retain solar panels, batteries, satellite phones, etc.

F-Grid Showing the Way to Create Next-generation Monozukuri and Regional Development

Enriching Lives of Communities Initiative

Toyota received the 2012 Mécénat Award for Supporting Hearts from the Association for Corporate Support of the Arts, Japan for the restoration efforts it carried out under its Kokoro Hakobu Project* (recovery and revitalization support activities through art and cultural events). This award in the Mécénat Grand Prize category recognized Toyota’s continuous contributions and long-term recovery and revitalization support activities with “kokoro (heart).”

Toyota’s Social Contribution Initiatives Receive the 2012 Mécénat Award for Supporting Hearts

The general name for the disaster area support activities Toyota launched in June 2011 based on the idea of bringing more than temporary allocations of human resources and materials/resources to the recovery effort

PHEV
PHV
Toyota Established a Sustainable Urban Energy System (CGS) Batteries
Electric Power
Electric Power
The F-Grid Ohira, Miyagi Limited Liability Partnership
Toyota East Japan Technical Skills Academy
Toyota East Japan Technical Skills Academy
Toyota Motor East Japan
Toyota Motor East Japan

For further information on Toyota’s social contribution activities, please see pp 52-55.

* The general name for the disaster area support activities Toyota launched in June 2011 based on the idea of bringing more than temporary allocations of human resources and materials/resources to the recovery effort

Majors
Activities involving culture and arts
• "Mekanobashi no Kutsu to, "Project, in which volunteers create designs for elementary school students in Miyagi Prefecture and hang them on elementary school walls
• Generalized by Toyota Motor (Phosphorus, Mino), Sendai and Miyagi
• Toyota Community Consultants and visiting concerts in disaster-stricken areas nationwide including:
• Relief supplies
• Monetary donations, contribution, etc.

2012 Mécénat Award Ceremony

For further information on Toyota’s social contribution activities, please see pp 52-55.
Environmental Initiatives

Environmental Philosophy, Policies and the Toyota Environmental Action Plan

The Fifth Toyota Environmental Action Plan (FY2011-FY2015)

The Fifth Toyota Environmental Action Plan sets the future direction of Toyota’s environmental activities, outlines the company’s ideal form and defines the action plan and goals for the five-year period starting in FY2011. In developing the new plan, Toyota streamlined actions from two points of view: environmental risks and business opportunities (such as penetration of eco-cars) in corporate operations and environmental initiatives expected of a company toward the decade 2020 between 2030. The company positioned these issues under the three priority themes: (1) contribution to a low-carbon society, (2) contribution to a recycling-based society and (3) environmental protection and contribution to a harmony with nature society. Embracing these themes, Toyota will contribute to the sustainable development of society and the world through monozukuri (manufacturing), kurumazukuri (car-making), and products and services that are in harmony with the global environment.

Toyota’s philosophy and policies on the environment are based on the Guiding Principles at Toyota, which were established in 1992 and revised in 1997. Policies for environmental initiatives were formulated as the Toyota Earth Charter in 1992 and then revised in 2000. This Charter is shared among 562 Toyota consolidated affiliates around the world. The Toyota Global Vision announced in 2011 stresses the importance of “respect for the planet.” Based on the above philosophy and policies, Toyota will aim to realize a 25 percent improvement in global average fuel efficiency by FY2015, compared to FY2005, as well as launch new and fully redesigned hybrid vehicle models in 21 vehicle series by the end of the FY2015. Toyota will also concurrently proceed with the development of a wide range of technologies, including plug-in hybrids (PHVs), electric vehicles (EVs) and fuel cell vehicles (FCVs), so that customers can choose the type of eco-car best suited to their applications.

Implementation Structure

The “Environmental Product Design Assessment Committee,” “Production Environment Committee” and the “Resource Recycling Committee” were established under the Toyota Environment Committee, which is chaired by the president, to investigate issues and develop response policies in their respective areas of responsibility. Each committee collaborates with all relevant divisions to promote company-wide action.

Promotion of Global Environmental Management

As Toyota’s business expands on a global scale, a consolidated environmental management system (consolidated EMS) was introduced to promote environmental action in concert with consolidated subsidiaries. Toyota presents its environmental policies and guidelines to all companies subject to consolidated EMS, and requests that all companies adopt and implement five-year environmental action plans. The company streamlines actions from two points of view: environmental risks and business opportunities (such as penetration of eco-cars) in corporate operations and environmental initiatives expected of a company toward the decade 2020 between 2030. The company also supports environmental management by affiliates through the sharing of best practices and exchanges of information to mutually strengthen relationships.

Social Contribution Activities

Toyota Environmental Activities Grant Program: Environmental Conservation Activities in Kenya

The Toyota Environmental Activities Grant Program assisted the NPO Commuting Road Empowerment with the Cherangani Hills Brassenssos Reforestation Project to help local farmers restore the forest in the Cherangani Hills, one of the five most important water sources in Kenya. This project trains groups of farmers in the western Kenya hills in tree seedling production in order to restore a natural forest that is a critical water source. The project also helps local farmers learn a terracing technique that uses Do-noo technology (Japanese term for soilage), making it possible to prevent farmland destruction and topsoil erosion while enabling farmers to carry out stable farming in harmony with the environment.

Roads that used to turn muddy during the rainy season were repaired with Do-noo technology, ensuring year-round passage and allowing farmers to steadily carry their harvest and seedlings to market.

Encouraged by this project, farmers who used to grow tree seedlings on only a small scale got together to form groups, expanding their organizations. In the future, a system capable of stably selling 100,000 seedlings a year will be built, with the goal of achieving independent organizational management.

Commuting Road Empowerment also plans to initiate other activities, such as reducing environmental impact on the mountain range by helping local farmers become self-sufficient in terms of firewood and livestock feed, and preserving the water catchment area by planting trees.

Assistance Provided to Date

<table>
<thead>
<tr>
<th>FY2012</th>
<th>Cumulative*3</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>77</td>
</tr>
<tr>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>107</td>
<td>107</td>
</tr>
</tbody>
</table>

*3FY2006-FY2012
Contribution to a Low-carbon Society

As both global energy consumption and CO₂ emissions, one of the causes of global warming, continue to increase, there is an increasing level of concern about climate change and the serious impact on human living environments and on ecosystems. Toyota positions taking action to reduce further global warming as a top priority management issue, and is working to reduce CO₂ emissions by decreasing energy consumption at all stages of the vehicle lifecycle, including development, design, production, logistics, and sales, as well as in all of Toyota’s business areas.

Toyota’s Basic Stance Regarding Issues Related to Energy, Climate Change and Global Warming

- Development of next-generation vehicles focusing on fuel efficiency improvements, and hybrid and plug-in hybrid vehicles
- Decrease in use of energy-intensive materials and parts
- Promote activities to reduce CO₂ emissions through energy-efficient equipment and processes
- Development of product technologies and reducing CO₂ emissions from Toyota vehicles and parts
- Improve the energy efficiency in the supply chain, and promote activities to reduce CO₂ emissions from suppliers and the value chain
- Promote CO₂ reduction activities by further improving transport efficiency
- Conform to the Energy Savings Act and reduce per-unit energy at the annual rate of 7%

CO₂ Emissions Reduction Initiatives in the Painting Process

- From the painting process account for approximately 20 percent of the total CO₂ emissions from Toyota’s vehicle production processes. Since the painting process was a large volume of steam, that causes significant air supply loss, Toyta has been taking steps toward achieving a steam-less line. In 2011, the Painting Shop No. 1 at the Toyota Plant in Japan was adopted a modular steam-less line and systematic measures to switch to the use of steam-less equipment are being implemented there. Specifically, these include changing the steam absorption dryer for both air conditioning to a motorized type, stopping steam humidification and instead using water spray to achieve humidification cooling, and switching the steam coolers used for gas combustion (1). The benefits gained have been verified and project (lateral development) is now being implemented for these steps. Through these actions the Painting Shop No. 1 at the Tahara Plant has reduced CO₂ emissions by 25 percent from 2009.

Focus Initiatives to Reduce Energy Consumption on the Hybrid Parts Production Line

- In 2001, the Hirase Plant began manufacturing coolers in addition to inverters that were already being produced at the plant.

In the conventional method, a 6-kW gas was heated to a high temperature in a vacuum to avoid the approximately 100-degree-C temperature required to a large amount of energy. Therefore, the Hirase Plant developed a fast, uniform heating method that allows melting under normal atmospheric pressure without using a gas. The no process makes it possible to streamline equipment and reduces the processing time, halting the CO₂ emissions during manufacture of the cooler. Even after the startup of this new process, the Hirase Plant is continuing to implement further energy-saving activities, such as shortening the welding time and reducing the processing defect rate.

Production and Logistics

CO₂ Emissions Reduction Goal Achieved with Emissions of 302,000 tons

In FY2012, Toyota reduced CO₂ emissions from logistics operations by 5,900 tons through various initiatives, including activities to increase the lead time of trucks, modal shifts, and ongoing fuel-efficiency improvement activities with logistics partners. In addition, a decrease in production volume from the initial plan contributed to a further reduction of CO₂ emissions to 302,000. CO₂ emissions per ton-kilometer (the transport of one ton of goods over a distance of one kilometer) were 104.8 g-CO₂/ton.

CO₂ Emissions from TMC Logistics Operations (Japan) (1)

Note: TMC Logistics Operations cover a wide range of the Toyota Motor Corporation’s logistics activities, including the management of transport and distribution of Toyota’s products and parts. In 2011, the CO₂ emission from logistics operations was reduced from FY2010 to FY2011 by 13%, to 255,000 tons from 300,000 tons. CO₂ emissions per ten-kilometer from TMC Logistics Operations (Japan) (1) by CO₂ (tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Initial Estimate</th>
<th>Result</th>
<th>Decrease due to reduction in transport volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>300,000</td>
<td>255,000</td>
<td>13%</td>
</tr>
<tr>
<td>2012</td>
<td>255,000</td>
<td>250,000</td>
<td>5%</td>
</tr>
</tbody>
</table>

Note: The CO₂ emission from logistics operations in FY2011 was calculated based on the “Guidelines of a Business CO₂ Emission Reduction Management System” by the Japan Ministry of the Environment. The FY2012 CO₂ emission from logistics operations are provided by TMC Logistics. http://www.toyota-global.com/sustainability/environmental_responsibility/data/index.html (information scheduled to be posted in October)

Note 3: Data for FY2011 was revised due to calculation errors at some companies

Promoting Third-party Certification of Dealer Environmental Management Systems

Dealers have pressed ahead with voluntary activities based on the Toyota Dealer CSR Guidelines set forth in December 2005. At a CSR workshop held by the Toyota National Dealers’ Advisory Council (TNADC), participants emphasized the need to further accelerate such initiatives, given the enhanced sales of next-generation environmental vehicles and the increasing fabric interest in environmental actions taken by dealers.

They called for increased acquisition of third-party certification of environmental management systems, such as ISO 14001 and Eco-Action 21*. In FY2012, 14 Toyota dealers across Japan conducted activities toward acquiring Eco-Action 2 certification.

Increase in Average Fuel Efficiency

Average Fuel Efficiency of Toyota Vehicles in Japan, US, and Europe

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Japan</th>
<th>US</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1.00</td>
<td>1.30</td>
<td>1.60</td>
<td>1.80</td>
</tr>
<tr>
<td>2002</td>
<td>1.08</td>
<td>1.34</td>
<td>1.62</td>
<td>1.86</td>
</tr>
<tr>
<td>2003</td>
<td>1.12</td>
<td>1.38</td>
<td>1.65</td>
<td>1.91</td>
</tr>
<tr>
<td>2004</td>
<td>1.17</td>
<td>1.44</td>
<td>1.68</td>
<td>1.94</td>
</tr>
<tr>
<td>2005</td>
<td>1.20</td>
<td>1.45</td>
<td>1.70</td>
<td>1.97</td>
</tr>
<tr>
<td>2006</td>
<td>1.22</td>
<td>1.48</td>
<td>1.72</td>
<td>2.00</td>
</tr>
<tr>
<td>2007</td>
<td>1.24</td>
<td>1.51</td>
<td>1.74</td>
<td>2.04</td>
</tr>
<tr>
<td>2008</td>
<td>1.25</td>
<td>1.52</td>
<td>1.75</td>
<td>2.05</td>
</tr>
<tr>
<td>2009</td>
<td>1.26</td>
<td>1.53</td>
<td>1.76</td>
<td>2.06</td>
</tr>
<tr>
<td>2010</td>
<td>1.27</td>
<td>1.54</td>
<td>1.77</td>
<td>2.07</td>
</tr>
<tr>
<td>2011</td>
<td>1.28</td>
<td>1.55</td>
<td>1.78</td>
<td>2.08</td>
</tr>
<tr>
<td>2012</td>
<td>1.29</td>
<td>1.56</td>
<td>1.79</td>
<td>2.09</td>
</tr>
</tbody>
</table>

The Corporate Value Chain (Scope 3) Standard is a new standard established to encourage corporations to account for and disclose greenhouse gas emission volumes not only from their supply chain (manufacturing, transportation, business travel, employee commuting, etc.), but also both direct and indirect emissions from all corporate activities including the value chain. So far, Toyota has assessed emissions from Category 6 (Business Travel) and Category 9 (Downstream Transportation and Distribution), and is considering increasing the number of categories.

CO₂-emitting production technologies, and daily improvement activities (pursue productivity improvement, promotion of improvement activities including at offices)

Energy Sources and CO₂ Emisions per Unit Produced (Stationary Sources such as Plants and Offices)

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions (t)</th>
<th>Total CO₂ Emissions (Million tons)</th>
<th>Per Unit produced (Stationary Sources such as Plants and Offices)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1.34</td>
<td>302,000</td>
<td>104.8 g-CO₂/ton-km</td>
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<tr>
<td>2008</td>
<td>1.35</td>
<td>303,000</td>
<td>104.9 g-CO₂/ton-km</td>
</tr>
<tr>
<td>2009</td>
<td>1.36</td>
<td>304,000</td>
<td>105.0 g-CO₂/ton-km</td>
</tr>
<tr>
<td>2010</td>
<td>1.37</td>
<td>305,000</td>
<td>105.1 g-CO₂/ton-km</td>
</tr>
<tr>
<td>2011</td>
<td>1.38</td>
<td>306,000</td>
<td>105.2 g-CO₂/ton-km</td>
</tr>
<tr>
<td>2012</td>
<td>1.39</td>
<td>307,000</td>
<td>105.3 g-CO₂/ton-km</td>
</tr>
</tbody>
</table>

* A set of guidelines set by the Japanese Ministry of the Environment regarding environmental management systems and environmental reports.

Promoting Third-party Certification of Dealer Environmental Management Systems

Focus Initiatives to Reduce Energy Consumption on the Hybrid Parts Production Line

- In 2011, the Hirase Plant began manufacturing coolers in addition to inverters that were already being produced at the plant.

In the conventional method, a 6-kW gas was heated to a high temperature in a vacuum to avoid the approximately 100-degree-C temperature required to a large amount of energy. Therefore, the Hirase Plant developed a fast, uniform heating method that allows melting under normal atmospheric pressure without using a gas. The new process makes it possible to streamline equipment and reduces the processing time, halting the CO₂ emissions during manufacture of the cooler. Even after the startup of this new process, the Hirase Plant is continuing to implement further energy-saving activities, such as shortening the welding time and reducing the processing defect rate.

Focus Responses to Scope 3

- The Corporate Value Chain (Scope 3) Standard is a new standard established to encourage corporations to account for and disclose greenhouse gas emission volumes not only from their supply chain (manufacturing, transportation, business travel, employee commuting, etc.), but also both direct and indirect emissions from all corporate activities including the value chain. So far, Toyota has assessed emissions from Category 6 (Business Travel) and Category 9 (Downstream Transportation and Distribution), and is considering increasing the number of categories.

Promoting Third-party Certification of Dealer Environmental Management Systems

Dealers have pressed ahead with voluntary activities based on the Toyota Dealer CSR Guidelines set forth in December 2005. At a CSR workshop held by the Toyota National Dealers’ Advisory Council (TNADC), participants emphasized the need to further accelerate such initiatives, given the enhanced sales of next-generation environmental vehicles and the increasing fabric interest in environmental actions taken by dealers.

They called for increased acquisition of third-party certification of environmental management systems, such as ISO 14001 and Eco-Action 21*. In FY2012, 14 Toyota dealers across Japan conducted activities toward acquiring Eco-Action 2 certification.

* A set of guidelines set by the Japanese Ministry of the Environment regarding environmental management systems and environmental reports.

Focus Initiatives to Reduce Energy Consumption on the Hybrid Parts Production Line

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Contribution to a Recycling-based Society

The issue of how to efficiently utilize non-renewable resources on the earth is a major challenge for manufacturing industries. For many years, Toyota has been taking initiatives toward establishing a recycling-based society, for example by building a value chain for recycling end-of-life vehicles more than 40 years ago, and promoting activities to utilize resources efficiently and reduce water consumption at production and non-production bases with the aim of improving material productivity. Currently, Toyota is taking various steps to reuse and recycle resources in all four stages of the automobile lifecycle—development/design, production/logistics, sales, and disposal.

- **Medium- to Long-term 3Rs (Reduce, Reuse, and Recycle) Initiative Focused on End-of-life Vehicles**
- **Environmental Initiatives**
- **Enriching Lives of Communities**

### Contribution to a Recycling-based Society

#### Stage 1: Past

- **Established Toyota Metal Co., Ltd., an end-of-life vehicles shredding company (world's first)**
- **Established Toyota Chemical Engineering Co., Ltd. in processes for recycling lubricants and other materials used at Toyota production plants**
- **Established Toyota Recycling Corporation, a collection company for catalytic converters and other parts containing precious metals and vehicles**

#### Stage 2: Present

- **Proposing a model social system by constructing a value chain**
- **Evolving the 3Rs initiative for rare metals, etc. and spreading it from Japan to the rest of the world**

#### Stage 3: Leading the Way to the Future

- **Toyota Recycling Vision**
- **Soda Ash**
  - Water recovery from waste water system
- **Plastic recycling**
  - Utilizing waste plastic to produce new products

### Design and Development

**Starting Taking Steps to Further Improve Dismantlability through the Introduction of Heavy Machinery for Dismantling**

Toyota became the first automaker* to introduce heavy machinery for dismantling, which had come into wide use for removing parts such as wiring harnesses, into its development division, and to begin evaluating dismantlability at the new vehicle development stage, feeding the results back to the design stage. Through this initiative, Toyota aims to improve vehicle dismantlability even further.

### Production and Logistics

**Reduction of Waste Volume**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Waste Volumes (Global)</th>
<th>Total Waste Volume per Unit Produced at TMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past</td>
<td>800,000 (Source: TMC, consolidated subsidiaries and other companies in Japan and overseas)</td>
<td>35.0 (m3/unit)</td>
</tr>
<tr>
<td>Present</td>
<td>600,000 (Source: Toyota Environmental Research &amp; Development Co., Ltd., Waste at cost excluding freight)</td>
<td>16.0 (m3/unit)</td>
</tr>
<tr>
<td>Future</td>
<td>400,000 (Source: Toyota Environmental Research &amp; Development Co., Ltd., Waste at cost excluding freight)</td>
<td>8.0 (m3/unit)</td>
</tr>
</tbody>
</table>

*Note: The total waste volume includes both production and non-production divisions (including employee benefits and plants).

**Example of wall greening (left); Comparison of TM9 and conventional grass (right)**

### Reducing Water Consumption

<table>
<thead>
<tr>
<th>Stage</th>
<th>Water Consumption at Vehicle Assembly Plants and Consumption per Unit Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past</td>
<td>19.5 27.3 27.4 29.2 (m3/unit)</td>
</tr>
<tr>
<td>Present</td>
<td>1.0  1.3  1.5  1.7 (m3/unit)</td>
</tr>
<tr>
<td>Future</td>
<td>0.5  0.8  1.0  1.2 (m3/unit)</td>
</tr>
</tbody>
</table>

*Note 1: The total waste volume includes both production and non-production divisions (including employee benefits and plants).

*Note 2: The total waste volume in a production division covers the waste generated as a result of production activities.

### Promoting New Businesses that Contribute to Environmental Improvement

#### Working Together with Society

**Affiliation name: Toyota Roof Garden Corporation**

- **In addition to rooftop greening, Toyota Roof Garden also conducts well greening and businesses that utilize green parking systems, with the goal of easing the urban heat island effect.**
- **The company also produces and sells easy-care shrubbery and other new types of grasses developed by Toyota.**

**Affiliation name: Toyota Roof Garden Co., Ltd.**

- **Together with Wabric Corporation, Toyota developed aemo comparator system for the livestock industry called resQ.**
- **As of March 2013, approximately 150 farms, including large-scale ones, have been using the resQ system.**
- **In 2011, Toyota added a new dehydrator for composting waste discharge called resQ45.**
- **As of March 2013, approximately 150 farms, including large-scale ones, have been using the resQ system.**

**Affiliation name: Toyota Floritech Co., Ltd.**

- **In October 2007, Toyota acquired a provider of mountain reforestation services, Australian Afforestation Pty. Ltd., and expanded its overseas expansion efforts.**
- **In 2009, the company began harvesting trees for shipment to Japan and overseas.**

**Affiliation name: Toyota Styrofoam Products Co., Ltd.**

- **In October 2007, Toyota acquired a mountain forest of approximately 1,700 hectares in Tagi-ku, Shiga Prefecture and commenced a 50- year reforestation program.**
- **In March 2013, Toyota launched a new special composting system for the livestock industry called Buta resQ.**

**Affiliation name: Toyota Suntory Midorie (Shanghai) Co., Ltd.**

- **Toyota, jointly with a general flower trader, Hakusan Co., Ltd., established Toyota Floritech Co., Ltd., in Rokkasho Village, Aomori Prefecture, using a tri-generation system and other environmentally considerate large-scale greenhouse facilities, the company produces and sells potted flowers (tritium roses) and ornamental plants.**
Since Toyota debuted the Prius 16 years ago, it has built its own recovery network to collect end-of-life hybrid vehicle (HV) batteries to be recycled. To date, Toyota has collected 30,000 end-of-life HV batteries and recycled all of them. HV batteries contain precious resources such as nickel, cobalt, and rare earth elements. Toyota has developed and adopted the world’s first technologies to enable these precious resources to be reused in new batteries. It is expected that tens of thousands of end-of-life HV batteries will be generated by the middle of the 2020s. Toyota has also developed the world’s first technologies for reusing or recycling HV batteries. The batteries are re-used as replacement batteries or as stationary batteries in photovoltaic power generation systems. Toyota further plans to promote the skillful reuse of batteries from end-of-life vehicles as part of measures to utilize renewable energy in an environmentally considerate manner.

When even these reused batteries finally reach the end of their use cycle, their metal parts are recycled into new batteries again. Toyota is always thinking about the importance of effectively using limited resources and is expanding its initiatives to Europe, the U.S. and other countries.

Building Toyota’s Unique Collection Network

Since 1997
30,000 End-of-life HV Batteries Collected in Japan, All of Which Were Recycled

Number of end-of-life HV batteries expected to be generated at dismantling companies (Thousands units/year)

Forecasted rapid increase

End-of-life vehicle

Collection and inspection

Recycling

End-of-life vehicle

Consolidation with collected catalysts

Transportation utilizing reverse logistics of service parts delivery

Collection requests

Collection instructions

Inspection requests

Toyota HV Call Center (Open 24 hours a day)

Recycling of rare metals and rare earth elements

• Through an original recycling method, batteries that cannot be reused and end-of-life batteries that have already been reused are reduced to metals, which are then recycled as resources for producing new batteries.

[Diagram showing the recycling process]
Environmental Protection and Contribution to a Harmony with Nature Society

In order to pass on the beautiful Earth to future generations, Toyota is implementing various environmental protection measures, such as measures to reduce exhaust gas emissions and manage the usage of chemical substances. It is said that approximately 100,000 types of chemical substances are currently being manufactured and sold in the world. Recently, the concept that each corporation must assess the danger of each chemical substance it uses and use it under appropriate control has become mainstream. Each corporation is required to identify the chemical substances it uses and the risks involved, take actions appropriate to the evaluation results and assessed risk, and provide pertinent information to the government and society. Toyota continues to reduce the release of chemical substances covered by the PRTR Law from its plants. Additionally, in cooperation with its supply chain, Toyota is working to reduce the amount of substances of concern (SoCs) contained in its products. Toyota is also aware of the critical need for nature and biodiversity conservation, and is engaged in contributing to society in harmony with nature through its automotive business and social contribution activities.

Environmental Protection and Contribution to a Harmony with Nature Society

Vehicles that Meet Japanese LEV Emission Standards

In FY2012, almost 100% of Toyota vehicles produced were certified as meeting the Ultra-Low Emission Vehicle (i-LEV) or higher standards by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. Percentage of Total Production in FY2012 that Qualifies as LEVs Based on 2009 Exhaust Emissions Standards

<table>
<thead>
<tr>
<th>Percentage of Total Production</th>
<th>FY2012 LEV Standards</th>
<th>2005 LEV Standards</th>
</tr>
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<tbody>
<tr>
<td>50% lower than standard levels</td>
<td>97%</td>
<td>5%</td>
</tr>
<tr>
<td>75% lower than standard levels</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>100% lower than standard levels</td>
<td>0%</td>
<td>1%</td>
</tr>
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</table>

Low-Emission Vehicles as a Percentage of Total Production in Japan

11% of models

Production and Logistics

VOC Emissions from Paint Reduced to an Average of 20 g/m² in Body Painting Processes

Since the previous year, Toyota continued efforts to limit use of solvents in washing processes and recapture a larger percentage of waterborne cleaning solvent. As a result of these VOC reduction activities, total VOC emissions from Toyota body paint lines averaged 20g/m² in FY2012.

VOC Emissions from Paint Reduced to an Average of 20 g/m² in Body Painting Processes

During Environment and Community Initiatives

In order to develop sustainable next-generation mobility, Toyota is proceeding with plans to construct a new R&D facility in an area straddling Toyota City and Okazaki City. In pursuing this plan, Toyota aims to achieve a balance between technological development and environmental conservation and therefore is working together with people in these communities on a wide variety of activities, as well as actively sharing information.

Goals of the Business Plan

Development and Biodiversity Conservation

Restoration of forest resources and wetland functions

Restoration of satoyama ecosystems through proactive corporate investment and community participation

Security of rare and endangered species and habitats

Governmental Public Corporation

Shimoyama Satoyama Council

Toyota Motor Corporation

Aichi Public Enterprise Bureau

Applied to other areas

Restoration of local communities and habitat

Satoyama Satoyama

Toyota Green Purchasing Guidelines (Japan, rest of world)

Toyota Motor Corporation

Aichi Public Enterprise Bureau

Applied to other areas

In FY2012, Toyota promoted opportunities to learn about the environment through Satoyama Restoration. Toyota is restoring a company-owned forest in Toyota City to the satoyama ecosystem that once played an important role in people's lives, utilizing it as a field for hands-on nature programs.

Social Contribution Activities

Forests serve to fix CO₂ and provide wood, which is renewable resource, function as biodiversity conservation and soil and water conservation, Toyota conducts its forestry efforts as social contribution activities and as businesses because we believe forests not only contribute to the establishment of a low-carbon society, a recycling-based society and a society in harmony with nature, but are also an essential foundation for communities and society.

When we formulated the Forest of Toyota project in 1992, we started by confronting the issues facing forests today. We continue to expand various initiatives aimed at sustainable forestry activities, through "human resources development and partnership with communities" and "establishing a society that maintains harmony with forests."

Community and Society-based Forestry Initiatives

In FY2012, the actions Toyota took focused on three main themes—forest restoration, enhancements to environmental education programs, and protection of flying squirrel habitats.

Satoyama Satoyama

Environmental Initiatives

In FY2012, almost 100% of Toyota vehicles produced were certified as meeting the Ultra-Low Emission Vehicle (i-LEV) or higher standards by the Japanese Ministry of Land, Infrastructure, Transport and Tourism. Percentage of Total Production in FY2012 that Qualifies as LEVs Based on 2009 Exhaust Emissions Standards

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Creating the Future Society

Helping Create the Future Mobility Society and Enriched Lifestyles

To help realize the mobility society of the future in a broader sense, Toyota is working on a wide variety of initiatives, including some outside the automobile field. Through collaboration with governments, local communities, corporations, and academic circles, Toyota is helping realize a sustainable society where everyone is happy. These efforts take the form of initiatives such as building environmentally considerate communities where people can connect with each other more freely and developing robots that support enriched lifestyles.

Smart Mobility Society Envisioned by Toyota

Toyota is aiming to help accelerate the realization of a future smart mobility society, i.e., a society where everyone feels secure and happy in all aspects of their lives from car transport to everyday life. Through initiatives in the four major areas of telematics, ITS, urban traffic, and energy management, Toyota is committed to enriching the lives of communities, as stated in the Toyota Global Vision.

COMFORT

Creating enriched and comfortable car utilization experiences for customers by providing a range of services that address various driving situations.

ECOLOGY

Optimizing energy use for the entire society and realizing stress-free and environmentally considerate living with a high quality of life.

CONVENIENCE

Building a stress-free traffic environment where everyone can move around smoothly, exactly as they wish.

SAFETY

Toward the realization of Toyota’s ultimate goal: zero casualties from traffic accidents.

For further information on Toyota’s safety initiatives, please see pg 22-25 and also the endnote below. http://www.toyota-global.com/intelligent_transport/systems/ultraconvenient

Toyota City Low-Carbon Verification Project

Smart Melit (Smart Mobility & Energy Life in Toyota City)

As part of efforts to create a smart mobility society, Toyota City, Toyota, and other private corporations began in 2010 to work together on initiatives related to the creation of a low-carbon society and alternative energy sources. In this project, Toyota is incorporating the Traffic Data Management System (TDMS) from the traffic field into the Energy Data Management System (EDMS) in the energy field to optimize energy usage in living spaces at the community level, including homes, traffic, and regions.

EDMS monitors the Home Energy Management System (HEMS) installed in individual homes to project the amount of power generated by photovoltaic power generation systems and the amount needed within a region, based on weather and consumer behavior predictions, with the goal of reducing peak power demand. Balancing the demand for and supply of power on a community-by-community basis in this way can help reduce the carbon footprint of the electrical power structure for the entire region.

Next-generation Traffic Network System Linked by Ha:mo that Will Make Transportation More People- and Community-Friendly

Ha:mo (Harmonious Mobility Network) is a new urban transport support system for which verification testing began in October 2012 as part of the Smart Mobility & Energy Life in Toyota City Project. Ha:mo aims to reduce CO2 emissions and achieve comfortable mobility by optimally and efficiently combining private car and public transportation. The current verification testing involves two services: Ha:mo NAVI, an information system that supports seamless mobility, and Ha:mo RIDE, a car-sharing system that uses ultra-compact electric vehicles for urban short-distance transport (the “last mile”). Ha:mo RIDE, which has four vehicle stations in Toyota City, began operation with 10 EVs and 100 members. The plan is to expand to full-scale testing with 20 vehicle stations, 100 EVs, and 1,000 members by October 2013.

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Focus

Verification Tests on an Ultra-compact Urban EV Car-sharing Project to Begin in City of Grenoble, France

In March 2013, Toyota signed a Memorandum of Understanding with the city of Grenoble, where strict environmental regulations apply, and other organizations to begin verification tests on an ultra-compact urban EV car-sharing project at the end of 2014 with the goal of reducing emissions of greenhouse gases and air pollutants.

Easy connections between trains and car-sharing system

Energy-efficient and environmentally considerate EV network

Selection of optimum, stress-free, and secure travel modes and routes

Ha:mo NAVI

System that makes it easy for people to travel places

Ha:mo RIDE

A mobility network for when you need to ride for just a bit

Ha:mo NAVI is a navigation system that combines trains, car-sharing systems, and all other available transportation means to help users travel smoothly to their destination. The system selects the best route by taking all factors into account, including traffic congestion, parking space availability, bus operation status, special events, and weather, thus reducing the stress associated with traveling.

Ha:mo RIDE makes the system so easy to use and has greatly expanded its range of activities.
New Lifestyle - Partner Robots

Toyota’s Basic Philosophy
Since Toyota’s founding, its corporate philosophy has been to “contribute to the world and to people by enriching society through manufacturing.” Based on this spirit, Toyota has been working to develop human-assisting partner robots to help enrich people’s lives.

The company’s goal is to build robots that embody “gentleness” and “intelligence” and will be able to assist with human activities in a wide range of applications, including nursing, welfare, mobility support, and housework support. In this way, Toyota is contributing to help create a more sustainable society and universal access to a rich lifestyle.

Toyota is working with various partners in its efforts to develop and field test partner robots. Merging car, IT, and state-of-the-art technologies from other fields, Toyota aims to commercialize partner robots as early as possible within this decade.

Daily Life-assistance Robot that Helps the Disabled Live More Independently at Home

In September 2012, as a new addition to the Partner Robot family, Toyota announced a human support robot (HSR) prototype that will assist people with limited arm or leg mobility to live more independently at home. The HSR—operable by a tablet PC—can perform various household tasks such as picking up an object off the floor and handing it to the person, retrieving an object from a high location, and opening curtains.

In the process of developing the HSR, Toyota conducted in-home trials of the robot on individuals with limb disabilities and incorporated their feedback into the robot’s design.

In the future, Toyota plans to make it possible even to watch over and care for the elderly remotely by using network and communication functions, thus allowing people to stay connected to the outside world and to society via robots.

Defining the Future Mobility Society through WBCSD

The World Business Council for Sustainable Development (WBCSD), headquartered in Geneva, is made up of approximately 200 member companies from a wide range of industries all over the world. It carries out surveys and offers advice based on the three pillars of economic growth, environmental protection and social development in its aim of sustainable development. Following its founding in linkage with the Rio de Janeiro Earth Summit of 1992, the WBCSD has devised an environmental management system (ISO 14001) and the concept of Eco-efficiency, and is considered to be a leading business advocate on sustainable development. As a member since the establishment of the organization, Toyota has taken part in a variety of projects such as the Sustainable Mobility Project.

Toyota participates in the Urban Infrastructure Initiative (UII), launched in January 2010, as one of 15 member companies. The goal of this project is informing cities’ sustainability visions into practical and inter-disciplinary strategies by encouraging them to engage in talks with individual companies and draw on their expertise. So far, the UII has held talks with 10 cities worldwide, including Turku (Finland), Philadelphia (U.S.), and Kobe (Japan).

Working with Wide Variety of Stakeholders to Define Future Mobility as Part of the Social System under WBCSD

The world is changing drastically, as exemplified by population growth, economic advances particularly in emerging nations, the aging of the global population, and the manifestation of environmental issues and resource limitations. As a result, the ideal future mobility society is also about to undergo significant changes.

When considering the mobility society of the future, it is important to begin with the concept of “market orientation.”

Starting and Leading a Project to Define the Ideal Future Mobility Society

In 2012, Toyota began leading dialogues with other WBCSD member companies about how to globally define the ideal future mobility society. In response, the WBCSD decided to implement its Sustainable Mobility Project 2.0 (SMP 2.0) in 2013 to define the ideal future mobility society, envisioning its realization in the year 2050.

In addition to automotive companies from Japan, Europe, and the U.S., companies involved in railroads, logistics, petroleum, information systems, road management and automotive parts have expressed their intention to participate in SMP 2.0. Furthermore, internationally distinguished scholars and experts are being added as advisers to contribute objectivity to the study, and experts from cities around the world have also been invited to participate. As a co-chairing company, Toyota will lead the three-year SMP 2.0 project.
Collaboration with Business Partners

Toyota's Basic Philosophy Regarding Business Partners

In order to contribute to society through automobile manufacturing and "monozukuri (manufacturing) and put into practice the principle of "Customer First," it is necessary to implement various activities in a spirit of cooperation and share principles with our business partners. In addition to pursuing open and fair business activities, Toyota has, for many years now, been engaged in CSR and other related activities. In order to further raise customer satisfaction levels, Toyota is committed to improving quality in terms of safety and customer confidence through increased cooperation with suppliers, dealers and other business partners.

Toyota’s Basic Purchasing Policies

Toyota believes that the most important task in purchasing is the creation of relationships in which Toyota and suppliers do business on an equal footing based on mutual respect, thus building firm bonds of trust and promoting mutual growth and development. It is also important to contribute to the sustainable development of society and the sustainability of the earth by working with suppliers in various countries and regions to ensure legal compliance and respect for human rights, and to carry out initiatives that take local communities and the regional environment into consideration.

Toyota’s global purchasing activities based on close cooperation revolve around the following three policies making up the Basic Purchasing Policies.

1. Fair competition based on an open-door policy
2. Mutual benefit based on mutual trust
3. Contribution to local economic vitality through localization: good corporate citizenship

Implementation of Policies

Revision of the Toyota Supplier CSR Guidelines

To clarify the expectations of its suppliers, Toyota issued the Toyota Supplier CSR Guidelines in February 2009. Toyota suppliers are asked to implement their own independent CSR activities based on the Toyota Supplier CSR Guidelines, and in turn expand their individual CSR policies and guidelines to their own suppliers. Furthermore, in December 2012, Toyota revised the guidelines to clearly indicate to companies in its supply chain its principles regarding human rights issues (strengthening of monitoring and corrective actions, and approaches towards Conflict Minerals). Toyota also held suppliers’ briefing meetings to ask suppliers to enhance and strengthen the global scale CSR initiatives society expects of them.

Support for Supplier Activities

Toyota holds CSR Study Meetings to support the CSR activities of suppliers. In FY2012, study meetings targeting around 340 Japanese suppliers were held based on the themes of compliance (management of confidential information, competition laws, and anti-corruption) and human rights/labor (respect for human rights, labor management). At the global level, Toyota also participated in CSR education activities targeted at suppliers belonging to the Automotive Industry Group Action (AIAG) in an effort to propagate CSR promotion activities to suppliers inside and outside the U.S.

Approaches towards Conflict Minerals Issue

Based on the Toyota’s Policies and Approaches towards Conflict Minerals*, Toyota strives for raw material procurement and usage that are free from conflict minerals, which can involve the infringement of human rights.

In 2011, Toyota established the Conflict Minerals Task Force consisting of representatives from relevant departments within the company to begin considering the actions to be taken regarding conflict minerals. Toyota has also participated in the AIAG’s working group on conflict minerals and promoted the consideration of unified action to be jointly taken by the automobile industry. In addition, Toyota has worked with other Japanese automobile manufacturers and the Japan Auto Parts Industries Association (JAPIA) to establish an investigation committee to establish a method that will effectively and efficiently assess the usage status of conflict minerals and which also takes impact on suppliers into consideration. The automotive industry as a whole has agreed to adopt the Electronics Industry Citizenship Coalition’s (EICC) Conflict Minerals Reporting Template standardized by the electronic industry.

In 2012, Toyota revised the Toyota Supplier CSR Guidelines, asking companies in its supply chain to engage in responsible material procurement. Furthermore, Toyota conducted a survey of suppliers who are JAPIA members and asked them to identify their smelters. Since then, Toyota has also been taking initiatives that cut across industry boundaries, for example, by providing report form completion guidelines, support for seminars co-sponsored by JAPIA (Japan Electronics and Information Technology Industries Association (JEITA)).

On a global scale, Toyota plans to have its overseas subsidiaries explain the issue to their suppliers to seek their understanding and conduct surveys in the same way as in Japan. The surveys will be carried out in all of Toyota’s business areas, including its automotive, marine, and housing businesses. Toyota will report the survey results to the U.S. Securities and Exchange Commission in May 2014 and will also post them on Toyota’s website.}

* For further information on Toyota’s Policies and Approaches towards Conflict Minerals, please see p. 31.
Collaboration with Sales Networks

Dealers/distributors are the front line where Toyota’s “Customer First” principle will be directly observed. Toyota and its dealers/distributors always work as one to enhance customer satisfaction based on a strong relationship of trust, close two-way communication, and the shared value of Toyota products and services.

Relations with Dealers in Japan

Within Japan, Toyota has concluded contracts directly with approximately 280 dealers who operate around 5,600 sales outlets including used car outlets. Based on the policy of “Customer First, Dealer Second, Manufacturer Third,” Toyota believes that dealer success, which ultimately leads to Toyota’s growth, can be achieved if Toyota supports and collaborates with dealers to meet customers’ expectations and raise their level of satisfaction.

Japanese Dealers’ CSR Activities

The Toyota National Dealers’ Advisory Council (TNDAC) issued the TNDAC CSR Guidelines in 2005 to promote unified CSR activities involving all Toyota Japanese dealers. In FY2012, the CSR Lecture, offered annually since 2006, was held in October with the theme, “CSR Activities of Toyota Japanese Dealers from the Perspective of Compliance.” Over the two-day period, the lectures were attended by 408 representatives from dealers all over Japan. Comments from participants included, “The lecture reminded me of the importance of approaching issues from the customer’s perspective.”

All dealers are promoting CSR activities under the three pillars of Compliance, Environment, and Social Contribution and are consistently going through the Plan-Do-Check-Act cycle with self-auditing. Toyota is sharing know-how to support the CSR activities of dealers by cooperating in activities such as revising and upgrading the self-auditing tool (the CSR Checklist) and making improvements to the system for collecting results to be audited.

In FY2012, all 90 items on the checklist were revised and improved with the aim of strengthening compliance related activities.

Aqua Social FES to Promote Protection of Local Environments

As part of its Aqua branding campaign, Toyota is running the Aqua Social FES (ASF) nationwide, an opportunity for the general public to participate in this regional environment protection and preservation initiative named after the vehicle and focused on water (Aqua). The event was held 131 times in 50 locations throughout Japan last year and 11,533 people participated, motivated by the slogan, “Together we can do it!” A total of 1,228 dealers employees sweated alongside general participants working on various local projects, such as waterfront clean-ups and invasive species removal. Toyota is continuing to hold ASF events in FY2013.

Welcab Station Where Customers Can Test Drive and Seek Advice Regarding Purchasing a Welcab

A Welcab Station is a dealer’s sales outlet where customers can experience Toyota’s assisted-mobility cars, the Welcab series. Both demonstration models and Welcabs for test drive are always available and consultants possessing specialized knowledge are always on duty. These outlets are barrier-free and equipped with wheelchair-accessible bathrooms and parking spaces for assisted-mobility vehicles, meaning everyone can visit with peace of mind. Welcab Station consultants can assist in choosing the right vehicle for the elderly, people with physical disabilities, and those with difficulty getting in and out of cars. As of the end of March 2013, there were 204 Welcab Station sales outlets operated by 119 dealers.

“Driving Festival” Events with Regional Flair

“Driving Festival” is a hands-on event Toyota has held from time to time since 2007 to disseminate its expertise to dealers all over Japan. Dealers hold the Driving Festival events adding regional flair to enable customers to experience the appeal of cars. In May 2013, as part of its initiative to aid disaster-stricken areas, Toyota and dealers co-sponsored the Driving Festival 2013 in Fukushima, primarily for children, drawing 13,700 visitors over a two-day period. The Big Palatte Fukushima in Koriyama City, where the event was held, was full of smiling and cheering children who received a chance to experience cars through such activities as riding electric vehicles and watching a car being assembled.

First Experience Program, a Traveling Classroom of the Waku-Doki Project

As part of its CSR initiatives rooted in local communities, Toyota has been collaborating with dealers to hold a traveling classroom at elementary schools all over Japan since 2008, with the aim of helping children of the “virtual era” gain real-life experience through cars. In FY2012, the First Car Experience Class and the Class for Everything You Always Wanted to Know About Cars were held at 376 schools, bringing the cumulative total of schools where these classes were offered to 1,991, with approximately 58,000 children attending. Teachers at these schools commented, “We really like these classes because they encourage our students to use all five senses to actually learn.” Participating dealers are enthusiastic about holding these classes because they believe that they contribute to local communities and also help their employees develop as human resources.

Aquasocialfes2013.com/Sites/English/News/Visuals/Visuals08.jpg

Welcab Station

Welcabs, which are neatly displayed in normal dealer outlets, are always on display. Customers can try getting into a Welcab while seated in their wheelchairs to check one out for use.

Hands-on area to experience the work of an auto technician

Comments from a father who participated with his children

“I am so happy that this event gave my child the chance to experience things that they normally cannot. I hope Toyota will hold more of these hands-on events in the future.”

From children who attended the class

• Usually ride in a car without thinking much about it, but the class helped me understand how awesome cars are.

• I learned that car companies are developing cars with the environment in mind, so I want to do something good for the environment, too.

Welcab Station staff

Hands-on experience of power and control using an actual vehicle

Relations with Overseas Dealers and Distributors

Toyota’s approximately 170 distributors and 8,700 dealers located overseas serve as key partners in highlighting the attractiveness of Toyota vehicles to customers. They also engage in a variety of activities to advertise the value of products and cars to customers.

Overseas Initiatives

15% CO2 Emissions Reduction Achieved across UK Dealer Network in 2012

In 2012, Toyota’s dealer network across the UK achieved a 15% reduction in CO2 emissions. More than 3,700 tons of CO2 emissions are being reduced each year, equivalent to the emissions from 22.2 million kilometers driven in an average car.

Following a pilot scheme in 2009 that revealed substantial energy savings, Toyota and Lexus Centers initiated measures towards realizing a 20% reduction in CO2 emissions by the end of 2014. In order to oversee the progress of these activities, all premises were equipped with energy monitoring devices by the end of 2011. Initiatives include a range of practical measures that are simple and in many cases cost-free to implement, such as adjustment of heating and air conditioning systems to match building occupancy hours. Some Centers have also made individual investment in low-energy equipment, such as LED lighting.

LEDlights in Toyota JEMCA Edgware Road showroom

From the Manager, Corporate Social Responsibility and Environmental Affairs

Our commitment to environmental responsibility is not confined to building clean and functional facilities; it extends to all areas of our business operations, not least our network of Toyota and Lexus Centers. Thomas Rosselle

From a general participant in ASF Shizuoka

This was the first time I participated in the event and it was really fun. I want to do it again and hope a lot of tugged-towel turtles will return to this beach.

Hands-on experience of power and control using an actual vehicle

Welcome to the Waku-Doki Project

Comments from a child who participated in a Welcab classroom

“I usually ride in a car without thinking much about it, but the class helped me understand how awesome cars are.

I learned that car companies are developing cars with the environment in mind, so I want to do something good for the environment, too.”

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Creating Thriving Communities

Toyota’s Basic Philosophy Regarding Social Contribution Activities

Aiming for the enrichment of society and sustainable development, Toyota joins forces with a broad range of individuals and organizations to make effective use of resources while engaging in social contribution activities that focus on “the environment,” “traffic safety,” and “education,” to resolve social issues.

Environment

Toyota also sees domestic and international environmental issues by publicly disseminating information acquired through the establishment of saigo no hana, a Japanese term applied to the interface between cities and nature that have been utilized by people and experimental studies in the forests of Japan, and using the accumulated knowledge for environmental education. The company also implements alienation, human resource fostering, and support for research and activities with a focus on collaboration with society and local communities, as well as initiatives to reinforce preservation by employee volunteers.

Initiatives in Japan

“Toyomori” Project—Connecting People to Forests

Developing Human Resources that Will Take Root and Thrive in Local Communities

Toyota City, the Support Center for Sustainable Regional Design (NP) and Toyota Motor Corporation have been running a joint project called “Toyomori,” which focuses on human resource development. The project aims to foster people who can—utilizing local natural resources—create new businesses and livelihoods that will touch the lives of people living in the farming and mountain villages in Toyota City. The core of this initiative is the Toyomori Institute of Sustainable Living. In May 2019, the project’s first group of 30 participants was selected from public applicants and given the goal of developing business plans that would connect cities and rural communities. These participants learned together over a period of about two years through once-a-month classroom instruction and fieldwork in the mountain village. The 26 participants of the second phase were selected from public applicants in April 2011, and completed their activities, which spanned two years and were centered in the Asahi District of Toyota City, in March 2013. The third phase will last from June 2013 through March 2016, with the Asahi District again the main field of activities, and will focus on developing human resources who can create new, community-based ways of living.

Overseas Initiatives (Brazil)

Working with Local Communities and NGOs to Help Protect the Ecosystem, Creating Human Resources, and Promoting Traffic Safety

The APF Costa do Corais, which straddles Brazil’s northeastern states of Alagoas and Pernambuco and has a total length of 135 km, is the largest coastal ecosystem preserved in Brazil and the second largest in the world. However, due to the absence of policies and rules that ensure sustainable utilization and protection of natural resources, the environment there had been severely degraded.

In 2009, Toyota do Brasil established the Toyota do Brasil Foundation and in 2011 created the Toyota APF Costa do Corais Project in partnership with SOTC Forests—a local NGO—Chico Mendes Institute for Biodiversity Conservation—a government agency—with the goal of protecting plants and animals in the region, such as coral reefs, mangroves, and the endangered manatee.

Overseas Initiatives (Thailand)

Road Safety Education Project that Sends Mascots to Elementary Schools

Highly Praised by the Royal Government

Since 1998, Toyota Motor Thailand (TMT) has been carrying out the White Road Traffic Safety Campaign throughout Thailand. In Thailand, the term “White Road” implies traffic safety and TMT established the White Road Project in the hopes of making all roads in Thailand safe.

The campaign opened two White Road Theme Parks, one in Bangkok, to teach children about road safety. A total of more than 15 million children have already visited the parks. In 2005, TMT also started a traffic safety program called the Milky Way and the Gang featuring mascots that visit elementary schools throughout the country and distribute educational multimedia resources consisting of 10 animated episodes.

In 2012, the year of its 50th anniversary, TMT established the goal of holding various events at a total of 50 locations in 2012 and 2013 to widely promote traffic safety.

Traffic Safety

As part of activities that aim to achieve zero casualties from traffic accidents, Toyota has continued promoting traffic safety education activities targeting a wide cross-section of society, encompassing children to the elderly, since the 1960s.

Traffic safety picture books

- Number donated in FY2012: approximately 2.44 million
- Cumulative total donated to date: approximately 128.6 million

Traffic safety story telling cards

- Number donated in FY2012: approximately 43,000
- Cumulative total donated to date: approximately 1.37 million

Traffic Safety Campaign Held for 45th Year—Children Have Fun While Learning Traffic Rules

Aiming for the enrichment of society and sustainable development, Toyota joins forces with a broad range of individuals and organizations to make effective use of resources while engaging in social contribution activities that focus on “the environment,” “traffic safety,” and “education,” to resolve social issues.
Initiatives in Japan

Workshop to Allow Children and Artists to Spend Creative Time Together

Toyota Children Meet Artists Program held the “Workshop to Discover Sounds Heard in Daily Life” at the Children’s Center in Kanazawa. It also created short-term festival teams through its “Festival Just for Us” workshop at a school for children with disabilities in Kochi Prefecture, to encourage greater participation.

Activities in FY2012

Events held at 10 schools or other locations in 4 regions, with 700 children involved in activities
Cumulative results since 2004
Events held at 60 schools or other locations in 13 regions, with 5,800 children involved in activities

Support for Science and Technology Education in the UK

Established in 2003 by Toyota Motor Manufacturing UK, the Toyota STEM Challenge is a national school-based competition aimed at 11-16 year-old Design & Technology, ICT and Science students. Developed in partnership with Rapid Electronics, a distributor of electronic components to schools, the Challenge invites students to design, build and race an environmentally friendly model vehicle made from recycled materials. The Challenge aims to encourage them to apply their knowledge and understanding from a wide range of curriculum subjects including Science, Technology, Engineering and Math. Designed to be fun and affordable, the Challenge reaches over 10,000 students each year, setting new, higher standards of excellence and innovation.

Number of participants in 2012: 392
Cumulative total: 3,620

Overview of Initiatives

Initiatives in Japan

- Supporting Science and Technology Education in the UK
- Working with NPOs and the Homeless to Build Houses

Other

Providing Quality Time to Enjoy World-class Music with Cooperation from the Vienna State Opera

In FY2012, seven concerts were held between April 3 and 11 in seven cities in Japan from Sapporo to Fukuoka featuring some 30 members of the world-famous Vienna Philharmonic Orchestra and Vienna State Opera who were brought together specifically for this event. The concerts were held with the aim of providing fans with an opportunity to enjoy first-rate music at affordable prices and to help nurture a richness of spirit through music.

Performances in FY2012

- 7 concerts held in 7 cities, attended by approximately 10,500 visitors
- Cumulative total of 75 concerts, attended by approximately 130,000 visitors

Overseas Initiatives (The Philippines)

Working Together with NPOs and the Homeless to Build Houses

Toyota Motor Philippines (TMP), through its social and humanitarian arm, Toyota Motor Philippines Foundation (TMPF), recently partnered with the City Government of Santa Rosa and the Gawad Kalikin (OK) Community Development Foundation to begin a project that provides houses to the homeless.

In 2013, the plan is to build 160 housing units and a community meeting hall, an area measuring approximately 8,000 square meters. Eighty units have already been completed and preferentially allocated to qualified beneficiaries who are willing to render volunteer time to build houses. Before the hand-over of the housing units, TMP employees also volunteered to help with tasks such as painting of houses, further strengthening their bonds with the community.

From a stakeholder

I feel privileged for being chosen as a qualified beneficiary. I made a promise to abide by OK’s rules. In fact, I have already completed the required 2,500 volunteer hours and moved in to my housing unit. But still, I continue to work for the project in order to show my gratitude and support to those who made the project possible.

Rodelio Caguioa, representative officer

The Toyota Foundation: For the Sake of Greater Human Happiness

The Toyota Foundation (Public Interest Incorporated Foundation) was established in 1974 with the goal of providing grants to research and projects in a wide variety of issues. Many live in Thailand, which has been experiencing phenomenal economic growth and accepts these migrant workers because of its constant labor shortage. To resolve these issues surrounding the migrant workers, the governments of the sending and receiving countries must cooperate with NODOs and corporations beyond national and sector boundaries to establish a shared understanding of the workers. To assist in this work, the Toyota Foundation supported a project for the three-year period from 2009 to 2011 to create “Speaking of Migration: Mekong Vocabulary on Migration” and “Legally Binding: A Summary of Labor Laws in the Greater Mekong Subregion.” These publications compare the languages and laws related to immigration in the countries located along the Mekong River, providing government personnel and NODOs with a common platform for discussing the various issues.

In 2013, to widely disseminate the results of the project, a symposium was held in Bangkok by a network of NODOs, governments, and international organizations where issues and policies related to migrant workers were discussed. The Toyota Foundation also provided assistance for holding this symposium.

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The Toyota Foundation: For the Sake of Greater Human Happiness
Respect for Human Rights

Toyota’s Basic Philosophy Regarding Human Rights

The Guiding Principles at Toyota and the Toyota Code of Conduct (established in 1998, revised in 2006), which consolidates Toyota’s approach to putting these principles into practice, as well as the CSR Policy: Contribution towards Sustainable Development, which was drawn up in 2008, contain the concept of respecting and honoring the human rights and other rights of all the people involved in Toyota’s business.

Further, both the two pillars of the Toyota Way—“Continuous Improvement” and “Respect for People”—“Respect for People” refers to respect for all stakeholders as well as respect for the character and abilities of employees as individuals and for our management by linking the personal growth of employees to company performance. Thus, putting the Toyota Way into practice means respecting human rights.

The Toyota Way is the moral foundation for sharing common values with all business units across the world. In addition, various measures are implemented so that employees can work with confidence, vigor, and enthusiasm. Efforts are also made to fully reflect and put into practice such concepts throughout Toyota’s global business activities, which includes subsidiaries and suppliers.

System for Respecting Human Rights

Toyota established in-house CSR Indices to confirm whether business is being executed in line with the Charter of respect for human rights, and follow-up is performed for the various functions each year.

Toyota requests the implementation of voluntary inspection activities for consolidated compliance once a year at its subsidiaries in Japan, and once every two years at overseas subsidiaries. As a part of this initiative, starting in 2012, subsidiaries have been requested to propose and implement improvement measures addressing human rights and labor issues based on the result of the inspections. In 2012, requests to propose and implement improvement measures were made to those subsidiaries where opportunities for improvement were identified from among Toyota’s 119 subsidiaries in Japan and 174 overseas subsidiaries.

For suppliers, Toyota established and distributed the Supplier CSR Guidelines in 2009, which closely state Toyota’s expectations of its suppliers and Toyota’s policy of respect for human rights. In addition, Toyota used to request each company to perform self-inspections based on the guidelines. Toyota revised the Supplier CSR Guidelines at the end of 2012, confirmed conditions using a table of questions that was newly incorporated as a part of its efforts to enhance human rights and labor-related initiatives, and is now making requests for improvements as necessary and following-up to confirm that improvements are made.

Toyota will continue to listen to the views of stakeholders and further undertake various types of measures to reflect those views in management.

Putting Respect for Human Rights into Practice: Toyota’s Policies and Approaches towards Conflict Minerals

Civilians in certain regions around the world are being subjected to massacres, plunder, abduction, conscription of child soldiers, and other inhumane conduct as a result of armed conflict, thereby giving rise to international condemnation. In the Democratic Republic of the Congo, which is located in central Africa, the unlawful mining and smuggling of the country’s abundant mineral resources is said to be a major source of funding for armed groups.

Toyota undertakes business with a strong awareness that violations of human rights, environmental degradation, unlawful mining, and other issues in these conflict regions as well as the issue of minerals that provide sources of funding to armed groups through such actions are major social issues concerning the supply chain.

As a global enterprise, Toyota adopted “Toyota’s Policies and Approaches towards Conflict Minerals,” which are to be implemented internally and by its consolidated subsidiaries.

For further information on conflict minerals, please see p. 45.

System for Addressing Changes in Social Demands

Toyota is responding to changes in circumstances such as heightened social demands concerning human rights by continuously enhancing and reviewing its corporate initiatives. For example, in conjunction with the reinforcement of the due diligence concept and the introduction and revision of international norms based on this approach, a Human Rights and Labor CSR Countermeasures Working Group was established in 2011. The Group has been working to address the issues in the supply chain by asking suppliers to engage in responsible material procurement in accordance with the Toyota Supplier CSR Guidelines.

Measures to Address Changes in Social Demands

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Stable Base of Business

Sharing the Toyota Way Globally

Since its foundation, Toyota has contributed to society through pursuing "conscientious monozukuri (manufacturing)" as its philosophy. Within this philosophy, beliefs and values for business original to Toyota have been created and techniques for management and implementation have been devised to be fostered as the source of Toyota’s competitive power. Business beliefs and values such as these handed down as tacit knowledge have been organized and compiled into the "Toyota Way 2001" so that they can be viewed and understood by all employees.

With "Continuous Improvement" and "Respect for People" as its pillars, the Toyota Way 2001 has five keywords: "Challenge," "Kaizen," "Genchi Genbutsu," "Respect," and "Teamwork."

The Toyota Way is shared throughout Toyota globally, and putting it into practice will lead to the creation of a more stable base of business and contribute to the making of always better cars and enriching lives of communities.

KPI for a Stable Base of Business in FY2012

**Employees**

- Local employees comprising management of overseas affiliates: 60.1%
- Employees who feel their own growth: 74.8%
- Employment of people with disabilities (includes special-purpose subsidiaries): 2.08%
- Frequency rate of lost workday cases (unconsolidated): 0.07%

**Corporate governance**

- Outside corporate auditors: 3

**Financial information**

- Operating income (Operating income ratio): 1,320.8 billion yen (6.0%)
- Dividend per share: 90 yen
Continuing to Remain a Company that Respects People: Carrying on the Founding Philosophy of “Monozukuri Is about Developing People”

Toyota’s approach to human resource development is based on a philosophy of respecting people. Therefore, Toyota provides a diverse array of learning platforms from the viewpoint of not only educating its worldwide employees and helping industries grow, but also contributing to the development of truly skilled individuals that can create a sustainable society.

Diagrammatic Representation of Toyota’s Approach to Developing People

**Development of truly skilled individuals not limited to the automotive industry**

- Toyota Technical Skills Academy Developed in Step with Toyota’s History of Advancement

**Development of human resources who will contribute to industry**

- Toyota Way, which spells out Toyota’s philosophy and learning culture nurtured from on-the-job training.

- Toyota’s basic philosophy of developing people as the basis of its contribution to society through monozukuri has grown far beyond employee education. It has transcended corporate boundaries and spread to various regions in Japan and overseas, where it has been realized in a broader sense in the form of educational assistance that supports people development. Toyota’s fundamentals for people development remain the same today, even in the current global business environment.

**Toyota’s Basic Philosophy Regarding Developing People**

The Toyota Way, which spells out Toyota’s philosophy and sense of values shared among all of its people around the world, consists of two key principles: “Continuous Improvement” and “Respect for People.” Respect for diverse individuals while valuing teamwork that brings together their abilities has been the corporate spirit underlying Toyota’s culture of “Monozukuri Is about Developing People” since its founding.

At Toyota, where human resource development has been based on people development, a constantly evolving education system was created for all employees out of the “teaching and learning” education culture nurtured from on-the-job training.

**Development of Monozukuri Professionals**

Toyota Technical Skills Academy Developed in Step with Toyota’s History of Advancement

Naturally it takes time for individuals to acquire the knowledge, technologies, and skills specific to the automotive industry and to Toyota. Therefore, Toyota’s basic approach to people development is to try to raise the level of the entire organization from the medium- to long-term viewpoint in order to secure human resources that can perform the performance level for the organization as a whole.

The Toyota Technical Skills Academy, which has developed in step with Toyota’s history of advancement, is an intra-corporation academy established with the objective of training excellent technicians who will support Toyota’s monozukuri. So far, more than 17,000 students have graduated from the Academy and are demonstrating leadership in implementing Toyota’s monozukuri both in Japan and overseas. These graduates, who have been thoroughly steeped in the Toyota Way since their mid-tens represent the source of strength behind Toyota’s monozukuri and are the future successors of the Toyota tradition.

**Monozukuri (Manufacturing) Is about**

In May 2012, P.T. Toyota Motor Manufacturing Indonesia (TMMIN), Toyota’s vehicle production subsidiary in Indonesia, established the TMMIN Learning Center (TLC). TMMIN held a ceremony to commemorate the establishment of the center, which provides technical skills training for vehicle manufacturing.

TLC also conducts manager training programs with the aim of fostering a wide range of human resources able to contribute to furthering the development of the automobile industry in Indonesia. In addition to training programs for employees, starting in 2014, TLC plans to provide opportunities for suppliers, students and teachers in the region to participate in courses. This is the fostering of human resources. Toyota plans to contribute to the ongoing growth of the economy and of communities in Indonesia.

**Development of the Automobile Industry**

**Contributing to Indonesia’s Economic and Social Development**

In 1992, to improve the basic scholastic abilities of elementary and junior high school children, Toyota South Africa Motors (Pty.) Ltd. (TSAM), which manufactures the Corolla, Hilux and other vehicle models, began the Toyota Teach educational program. The program is aimed at teachers and provides training in teaching methods for English, Mathematics and Science, as well as in school governance and management.

The Toyota South Africa Foundation (TSAF), established in 1989 through a joint investment between TMC and TSAM, provides ongoing support to Africa. The foundation aims to raise the standard of living and improve social and economic inequality in the country through the provision of opportunities for better quality education. When investigating what type of work was needed to accomplish this goal, TSAF discovered that there were students, who despite getting into colleges and technical schools, had insufficient basic scholastic abilities to fully enjoy the benefits of higher education. Therefore, to effectively improve the basic scholastic abilities of elementary and junior high students, TSAF determined it would provide training aimed at teachers.

Training was first offered to elementary school teachers in Umlazi and three other areas of South Africa where many TSAM employees live. Since 2005, the program has strengthened comprehensive training on school operational methods targeting school governing bodies, school management teams and educators in different learning areas.

Ten schools were selected as model schools in 2009, and training was offered to all teachers in those schools for three years. An external evaluator commented on the impact of the program, noting that some of the schools were able to turn around into well organized and well functioning organizations, and that teachers can now teach difficult topics with confidence. An overall improvement in English language and math skills was seen in seven schools, with student scoring higher grades in an annual national assessment test.

**Enrichment of Society**

Training School Teachers to Improve the Basic Scholastic Abilities of Children

![Diagrammatic Representation of Toyota’s Approach to Developing People](image-url)
Employees

Toyota's Basic Philosophy Regarding Employees

Stable Base of Business Supported by a Relationship Based on Mutual Trust and Respect

In order to accomplish a stable base of business, Toyota aims to realize management that shows respect for people and builds stable labor-management relations based on mutual trust and mutual respect, as well as to have all employees exercise their abilities to think, be creative, and utilize their strengths to the maximum extent possible.

Toyota experienced labor disputes and personnel cuts during the management crisis of the 1950s. These difficult experiences led Toyota to create a company that would never again have to dismiss employees. After holding exhaustive discussions on the best course of action between labor and management, both parties came to a mutual understanding where employees would proactively cooperate to improve productivity, while the company would work to maintain and improve working conditions. Further, by sharing information and enhancing employee awareness in times of crises, Toyota also created a relationship of mutual trust and mutual respect based on which all employees execute their duties and responsibilities for the prosperity of the company.

The Four Principles Upon which the Relationship of Mutual Trust and Mutual Respect Is Based

First of all, Toyota believes that stability of employment, safety, and health are matters of the highest priority for employees to work with confidence, and to this end has developed a range of measures. In addition, Toyota has worked to provide continual improvements by enhancing two-way communication with employees, encouraging a sense of unity throughout the entire company and sharing information during times of crises. By respecting diverse values and thinking, Toyota has created opportunities for employees to demonstrate their creativity and has fostered teamwork. Efforts are also being made to develop human resources and create ample systems.

Toyota believes that carrying out personnel and labor management that is based on these four principles makes it possible to maximize the entire company's performance and create a stable base of business.

Sharing the Origin of the Toyota Way with All Employees

This ideology has been systematically organized as the Personnel and Labor Toyota Way, which is based on the Toyota Way and is shared by all of Toyota's global affiliates. Management and various other measures based on the ideology are being implemented around the world. Toyota is committed to enhancing customer satisfaction and contributing to society by strengthening the bonds between labor and management based on mutual trust and respect by realizing management that shows respect for people.

Basic Employment Principles

Excerpts from the Guiding Principles at Toyota

1. Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
2. Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.

Excerpt from the Toyota Code of Conduct

Chapter 1. Through our communication and dialogue with the company, we (people working for TOYOTA) strive to build and share fundamental value of “Mutual Trust and Mutual Responsibility.” TOYOTA (TOYOTA MOTOR CORPORATION and its subsidiaries) endeavors to improve its business achievements so that TOYOTA can continue to provide employment and fair and stable working conditions for each of us. Simultaneously, TOYOTA promotes a work environment in which each of us can work in a harmonious and dynamic manner.

Labor-management Relations based on Mutual Trust and Respect

The Joint Declaration of Labor and Management was concluded in 1962 based on lessons learned from bitter experiences during the 1950 labor dispute. This approach of “mutual trust and respect between labor and management” became the basis of labor-management relations, and in 2012, the 50th year since the signing of the declaration, Toyota once again vowed to further reinforce ties between labor and management.

In the 50th year since the Joint Declaration of Labor and Management

Joint Declaration of Labor and Management (excerpts)

• We will contribute to the development of the national economy through the prosperity of the automotive industry.
• The relationship between labor and management shall be based on mutual trust and respect.
• We will endeavor to maintain and enhance the company’s prosperity and labor conditions through the improvement of productivity.
• We hereby swear to further reinforce ties between labor and management based on mutual trust and mutual respect like two wheels on a car, traveling down the same road, and, by exceeding expectations for customer satisfaction and social contributions, to pass on the spirit of the Joint Declaration of Labor and Management and Toyota’s monozukuri to the next generation.

May 29, 2012
Akio Toyoda, President, Toyota Motor Corporation
Mitsuyuki Tsuruoka, Chairperson, Toyota Motor Workers’ Union

Labor Management Relations based on Mutual Trust and Respect

Toyota plans greater enhancement and reinforcement of educational programs based on the Toyota Way, and strives for creation of a workplace worthy of vigour and enthusiasm.

Human Resource Development

Toyota is working to develop vigorous workplaces by greater enhancement and reinforcement of educational programs based on the Toyota Way with OJT as an essential.

Safety and Health

Ensuring employee safety and health is one of Toyota’s most important bases for our business activities. Each workplace serves as the individual driving force behind a company-wide effort.

Work with Vigor and Enthusiasm

Toyota Way (Continuous Improvement, Respect for People)

Diversity and Inclusion

Toyota plans greater enhancement and reinforcement of educational programs based on the Toyota Way, and strives for creation of a workplace worthy of vigour and enthusiasm.

Pride and Loyalty

Toyota strives to foster employees’ pride and loyalty to the company, workplace and colleagues by encouraging a culture of teamwork through communication and mutual cooperation.

Toyota has contributed to increasing employment opportunities worldwide through the construction of new plants, the Sorocaba Plant in Brazil and the Karawang No. 2 Plant in Indonesia.

Shifts in Number of Global Toyota Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>New Operating Plants (Number of employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2003</td>
<td>TMMAL (Sorocaba, Brazil) - Creation of 1,500 new jobs</td>
</tr>
<tr>
<td>FY2005</td>
<td>TMMIN (Karawang, Indonesia) - Creation of 1,100 new jobs</td>
</tr>
<tr>
<td>FY2012</td>
<td>GTM Changzhou, China - Creation of 2,000 new jobs</td>
</tr>
</tbody>
</table>

Newly Operating Plants

<table>
<thead>
<tr>
<th>Name of plant (region)</th>
<th>Number of jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>TFTD (Tianjin, China)</td>
<td>1,500 jobs</td>
</tr>
<tr>
<td>TMMSC (Shanghai, China)</td>
<td>1,500 jobs</td>
</tr>
<tr>
<td>TMMIN (Karawang, Indonesia)</td>
<td>1,100 jobs</td>
</tr>
<tr>
<td>TMMIN (Changchun, China)</td>
<td>2,000 jobs</td>
</tr>
<tr>
<td>TMMIN (Sichuan, China)</td>
<td>2,000 jobs</td>
</tr>
<tr>
<td>TMMIN (Mississippi, North America)</td>
<td>2,000 jobs</td>
</tr>
<tr>
<td>TMMIN (Alabama, North America)</td>
<td>2,000 jobs</td>
</tr>
<tr>
<td>TMMIN (Shanghai, China)</td>
<td>1,100 jobs</td>
</tr>
<tr>
<td>TMMU (Tianjin, China)</td>
<td>1,500 jobs</td>
</tr>
<tr>
<td>TMMIN (Mexico, North America)</td>
<td>1,500 jobs</td>
</tr>
<tr>
<td>TMMIN (Russia, Europe)</td>
<td>1,500 jobs</td>
</tr>
<tr>
<td>TMMIN (Thailand, Europe)</td>
<td>1,500 jobs</td>
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<tr>
<td>TMMIN (Vietnam, China)</td>
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<td>TMMIN (India, India)</td>
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<td>TMMIN (Brazil, Europe)</td>
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<tr>
<td>TMMIN (Changzhou, China)</td>
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<tr>
<td>TMMIN (Sorocaba, Brazil)</td>
<td>1,500 jobs</td>
</tr>
<tr>
<td>TMMIN (Karawang, Indonesia)</td>
<td>1,100 jobs</td>
</tr>
</tbody>
</table>

Toyota is willing to share the Toyota Way with all employees around the world.
Toyota's Basic Philosophy Regarding Safety and Health

Ensuring employee safety and health is one of Toyota's most important business activities and has a universal and timeless value. Upon assuming the position of General Safety and Health Supervisor in 1997, Honorary Adviser Eiji Toyota explained his basic stance on safety and health: “Safe work is ‘the gate’ to all work. Let us pass through this gate.”

With this basic philosophy always in mind, Toyota is striving to create a dynamic working environment that is conducive to the mental and physical well-being of its employees.

Promotion of 3-pronged Approach to Safety and Health

In FY2012, “building a culture that promotes interactive development of safety and health” was set as the foundation of Toyota’s global policy. As a result of basic rule observance and interdependent bottom-up initiatives involving the whole company that were implemented so that employees at every workplace realize the present risks and take independent preventive action with the aim of making safety and health a “custom culture” at Toyota, the total number of accidents were reduced to half that in 2008.

Global Safety Measures

• Safety functions were established in management companies in each region (North America, Europe, China, Asia and Oceania, etc.), a network linking the Head Office and management companies with subsidiaries was built, and safety measures are taken globally.
• Accident information is shared and follow-ups performed.
• Occupational safety and health management systems (OSHMS) are utilized.
• Plant safety systems and rules are adopted and implemented.

Building up Good Health

In FY2012, Toyota took measures to improve employees’ “health mindsets” and encourage employees to manage their own health. Toyota also engaged in health-screening-focused initiatives to reduce potential health risks. Measures to improve “health mindsets” included support for physical exercise at work sites, and granting awards to work sites that took proactive measures to support good health. Risk reduction activities focused on health BIP2 programs (BMI reduction and anti-smoking measures) with lectures and mini-seminars at the worksite.

Health Management of Overseas Personnel

In FY2012, Toyota continued to provide health check-ups for overseas personnel and provided industrial physician advice by making use of health follow-up sheets. While industrial physicians routinely made rounds checking on medical conditions at local sites, medical information was also being used in the Internet for locally-stationed staff and follow-up e-mails regarding self-health management were sent out. Tele-conferences were also routinely held with local points of contact and information exchanged.

Toyota’s Basic Philosophy Regarding Development of Human Resources

Toyota is working to develop human resources by implementing an educational program based on OJT (on-the-job-training), which is crucial for the development and generational transfer of excellent manufacturing personnel, with the five Toyota Way keywords as a fundamental basis.

Practice of the Toyota Way

So that the Toyota Way, which explains Toyota values and ways of thinking, can be understood and practiced by employees globally, we have organized and arranged job types and techniques into what we call “Global Contents.” These Global Contents are communicated to Toyota employees through courses and OJT both in Japan and overseas.

List of Global Contents

- Toyota Way
- Toyota’s Basic Philosophy for Safety and Health
- Safe work
- Risk work
- Skill work
- Safe work is “the gate” to all work
- Let us pass through the gate.

In addition, emphasis was placed on “assertion” training for individuals who took the listening course four years earlier. Guidelines were adopted for industrial health personnel who perform health consultations, and efforts to standardize and systematize the details of consultations began in 2012.

Health Management of Overseas Personnel

In FY2012, we continued to provide health check-ups for overseas personnel and provided industrial physician advice by making use of health follow-up sheets. While industrial physicians routinely made rounds checking on medical conditions at local sites, medical information was also being used in the Internet for locally-stationed staff and follow-up e-mails regarding self-health management were sent out. Tele-conferences were also routinely held with local points of contact and information exchanged.

Global Contents

- Toyota Way
- Values and ways of thinking that should be held by those working for Toyota
- Toyota’s Basic Philosophy for Safety and Health
- Safe work
- Risk work
- Skill work
- Safe work is “the gate” to all work
- Let us pass through the gate.

The foundation of human resource development at Toyota is the on-the-job-training (OJT) system, which is crucial for the development and generational transfer of excellent manufacturing personnel, with the five Toyota Way keywords as a fundamental basis.

ICT Program for Self-reliance of Affiliates and Contribution to Local Communities

In order to promote self-reliance in overseas affiliates, the ICT (Intra Company Transferred) program temporarily transfers employees of overseas affiliates to Toyota Motor Corporation for human resource development through on-the-job training. Transferees learn skills and know-how through their training period, which range from six months to three years. As of May 1, 2013, a total of 451 transferees from 52 affiliates in 36 countries were working in Japan under the program.

Study-abroad Program for Job-offer Recipients

Fosters Development of Global Human Resources

The study-abroad program for job-offer recipients is designed to foster human resources with the skills and perspectives to work anywhere in the world by enabling job-offer recipients the opportunity to study overseas before they begin work. Beginning in late April, participants spend five months at the prestigious University of Pennsylvania in the United States studying business English. They are immersed in an environment with a different culture and can use their communication skills while taking advanced courses and preparing to begin work in October. In FY2012, twelve new job-offer recipient were selected to participate in the program.

Human Resource Development in the Workplace (OJT)

The foundation of human resource development at Toyota is the on-the-job-training (OJT) system, which is crucial for the development and generational transfer of excellent manufacturing personnel, with the five Toyota Way keywords as a fundamental basis.

New Study Dispatch Program Created for Young Employees

A new Study Dispatch Program was created to accelerate the development and enhance the skills of young employees. The first participants will be dispatched in January 2014. Employees in their fourth year or later with the company will be dispatched to an overseas subsidiary, overseas graduate program (including MBA programs), or a domestic affiliate to study for one to two years, acquire practical skills, gain understanding of different cultures, and improve their language skills in the workplace. Toyota already dispatches approximately 100 trainees to overseas subsidiaries each year, and with the creation of this new program, the number is expected to increase considerably.

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About the Program

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Sustainability Report 2013

**Promoting Various Measures to Create a Workplace Full of Vigor and Enthusiasm**

Toyota is currently working to establish various programs to help female workers balance work with childcare and to educate employees on effectively utilizing the programs while refining communication tools for these activities.

- **Recent Key Initiatives**
  - **2008**
    - Childcare Leave First Guidebook distributed
  - **2009**
    - Childcare Leave First Guidebook rolled out
  - **2010**
    - Social gathering with overseas female employees
  - **2011**
    - Promoting Ombudsperson for Diversity
  - **2012**
    - Supporting activities for domestic childcare and nursing care

**Use of Childcare and Nursing Care Leave Program**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
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<tr>
<td>2007</td>
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<td>100</td>
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<tr>
<td>2008</td>
<td>120</td>
<td>240</td>
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<tr>
<td>2009</td>
<td>120</td>
<td>240</td>
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<tr>
<td>2010</td>
<td>120</td>
<td>240</td>
</tr>
<tr>
<td>2011</td>
<td>120</td>
<td>240</td>
</tr>
<tr>
<td>2012</td>
<td>120</td>
<td>240</td>
</tr>
</tbody>
</table>

**Use of Flexible Working Hours System**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>100</td>
<td>100</td>
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<tr>
<td>2007</td>
<td>100</td>
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<tr>
<td>2008</td>
<td>120</td>
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<td>2009</td>
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<tr>
<td>2010</td>
<td>120</td>
<td>240</td>
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<tr>
<td>2011</td>
<td>120</td>
<td>240</td>
</tr>
<tr>
<td>2012</td>
<td>120</td>
<td>240</td>
</tr>
</tbody>
</table>

**Pregnancy, Childbirth and Care-related Benefits for Employees**

- **Maternity Leave Plan**
  - 6-week Paid Maternity Leave
  - Childbirth Leave for multiple pregnancies
- **Childcare Leave**
  - 6-week Paid Parental Leave
  - Nursing Leave (up to 300 leaves/year)
  - Parental Leave
  - Exemption from Nonscheduled Work
  - Exemption from Overtime Work (Up to 240 leaves/year)
  - Exemption from Late-night Work
- **Child Nursing Leave**
  - 5 days for each child (Maximum 10 days/year)
- **Flextime System**
  - No core time
  - Working部分 on leave for 6 hours per day
  - 6 hours per day (up to 10 days/year)

**Toyota's Basic Philosophy Regarding Diversity and Inclusion**

For companies engaged in business around the world, it is important to promote a diverse range of human resources activities while raising the skills of each individual employee. Toyota is establishing a corporate culture with abundant vitality by fostering human resources that include a diverse range of individuals. Although the focus of respect for diversity varies in different countries and regions, Toyota strives to be a company with a working environment that promotes self-realization while respecting diversity of values and ideas among its employees.

**Focus**

Creating an Environment for the Sound Growth of Children Based on Cooperation and Mutual Support

- **Takahiko Yamashita**
  - Project Manager, Project Planning & Management Div.

My twin boys were born in April 2008, and I immediately went on childcare leave. The work—while challenging because we had twins—was harder than I expected, but seeing them grow every day was a valuable experience.

We received help from the boys’ grandparents and neighbors, and everyone experienced the joy of watching them grow. Now, I take them to nursery school every morning. I efficiently use the limited time for my job, housework, and childcare, and with the cooperation and support from many people, we share a sense of accomplishment and fulfillment.

**Overseas Officer’s Keys to Success Are Strong Personal Relationships, Continuous Learning, and Taking Time away from the Job to Recharge**

Cheryl Hughes (Vice President, Toyota Motor Sales, U.S.A., Inc. (TMS))

After working in the automobile industry and in healthcare, I began working for TMS in 2000 and became vice president in 2008. I believe that it is important to continuously learn and improve and to respect the values of others while keeping one’s own values. To produce results in work and achieve personal growth, the most important thing is to take on new jobs and build strong personal relationships. To maintain balance in my busy life, I spend time relaxing with my husband on weekends and recharging. This increases my energy and enables me to engage in new projects with purpose and new sensibilities.

**Female Employee Maintains Balance by Emphasizing Workplace Communications**

Yuka Shinkai (Assistant Manager, Accounting Div.)

I’ve worked in accounting since I joined the company, and now I perform budget management work. I’ve taken childcare leave twice and take advantage of programs that support work-life balance, such as working part of the time at home, which enables me to continue working while raising my two daughters. When I returned to work, I straightforwardly told my supervisor how I wanted to work, and I place particular importance on daily communications with other team members. I strive to maximize my output by using my time in the office efficiently.

**Promotion of Localization of Management at Overseas Affiliates**

Toyota has been promoting the localization of management at overseas affiliates from a medium- to long-term perspective. The division of roles has been clearly defined—the head office determines “what has to be done” and overseas affiliates decide “how they will be done.”

In principle, executives responsible for overseas operations (including chief officers) live at the respective overseas location and create a management system that has close ties with the local community. Appointment of local human resources is also being actively promoted and of eight regional headquarters, four are currently headed by chief officers who are not Japanese.

As of June 2013, the number of foreign executives at Toyota Motor Corporation was seven (of which one is an external director). Toyota will continue to actively foster and promote local personnel on the principle that this ensures the right resources will be in the right places, driving forward the localization of decision-making, operation and management posts. This should facilitate the timely understanding of customer and employee needs in each region, enabling us to make appropriate business decisions.

**Percentage of Local Employees Comprising Management at Overseas Affiliates**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of Local Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>75%</td>
</tr>
<tr>
<td>Europe</td>
<td>85%</td>
</tr>
<tr>
<td>Africa</td>
<td>80%</td>
</tr>
<tr>
<td>Asia, Middle East</td>
<td>60%</td>
</tr>
<tr>
<td>Caribbean</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Job Placement Program for Over-sixties

Following the 1991 introduction of the Internal Re-employment Program for Retired Professionals, an Optional Re-employment Application System was launched in 2001 to outplace applicants to external affiliates and other sites, providing a framework for helping over-sixties to continue working at either external or internal workplaces. Based on the revisions to the Law on Stabilization of Employment of Older Persons in FY2006 and again in FY2013, programs were updated to their present state, in order to expand re-employment opportunities. A review was also initiated at the same time to refine policies on shortening work hours in response to growing diversity in job preferences and so on.

Employment of Fixed-term Contract Employees

With regard to fixed-term contract employees, we are already taking steps to ensure that appropriate employment and contract renewals are conducted, we are also putting our utmost efforts into creating stable employment conditions and improving workers’ employability. The full-time staff appointment system gives fixed-term contract employees who have worked for Toyota for at least one year and have a recommendation from their workplace the chance to take an examination for regular employment. This leads to increased motivation and vitality. Fixed-term contract employees can also take the examination in their third year. Toyota plans to continuously promote appointment of fixed-term contract employees as full-time employees.

Respect for Diverse Religious Beliefs

PT Toyota Motor Manufacturing Indonesia (TMMIN), Toyota’s production subsidiary in Indonesia, takes measures to respect the diverse religious beliefs of its employees. TMMIN believes that this enables each employee to work to their full potential in day-to-day operations and as a result, leads to increased productivity. Toyota has expanded its support including hosting an internal sign language workshop, deploying counselors to provide all kinds of support, and spreading good workplace examples across the organization.

Employment of People with Disabilities

Toyota believes that people with disabilities deserve the chance to become socially self-reliant and makes it a rule to provide them with opportunities to work together with non-challenged individuals. A number of such people are engaged in a range of roles at various workplaces. As of June 2013, the number of people with disabilities employed was 1,081, accounting for 0.08% of the entire workforce (including special-purpose subsidiaries) which is above the legal requirement of 0.2%. Efforts are under way to create an even more employee-friendly working environment, including hosting an internal sign language workshop, deploying counselors to provide all kinds of support, and spreading good workplace examples across the organization.

Increasing Employment Opportunities and Enhancing Support for People with Disabilities: Toyota Loops

Toyota loops Corporation began operations in April 2009 with 28 people with disabilities and received certification from the Minister of Health, Labour and Welfare as a special-purpose subsidiary of Toyota Motor Corporation in October of that year. Toyota Loops handles primarily Toyota’s internal printing and mail services, but employment has increased as additional services were outsourced to the company, including visiting or employee identification cards, consigned shredder operations, and issuing asset number labels. As of April 2013, Toyota Loops had 84 employees. As employment has increased, the company has worked to create working environments where all employees can work comfortably through measures such as increasing the number of support staff, providing regular counseling by a clinical psychologist, reinforcing other support programs, and actively exchanging information with social welfare organizations, governmental bodies, and the local community. In 2011, Toyota Loops participated in the Aichi Abilympics for the first time (a technical skills competition for people with disabilities), and all three employees who entered won prizes. All four employees who entered in FY2012 won prizes, and one came in first place in the “Office Assistant” division and competed in the national event held in Nagano Prefecture.

To Be Rewarded with the Smiles of Employees

In order to strengthen its human resource base, which supports Toyota’s growth, the company has created a positive working environment in which employees can work with confidence, vigor and enthusiasm. Toyota strives to foster employees’ pride and loyalty to the company, workplace and colleagues by encouraging a culture of teamwork through communication and friendly competition.

“WE LOVE TOYOTA” initiative to Create an “All Toyota” Sense of Unity

In order to develop employee interest in the company’s operations and products based on the notion of “All Toyota,” and to deepen loyalty an internal campaign called WE LOVE TOYOTA has been carried out since FY2009. As a part of these activities, WE LOVE TOYOTA seminars were held April and June 2013. Approximately 350 participants attended including corporate executives. Teamwork and ties between participants were deepened by forming teams consisting of members who had never met before and holding an “Internal Prius Cup” while discussing the joy of driving.

Results of Employee Satisfaction Survey

Toyota believes that the greatest assets a company has are its people and that customer satisfaction cannot be achieved without employee satisfaction. The employees satisfaction survey conducted in FY2012 on administrative and engineering employees revealed an affirmative response rate of over 70% regarding “satisfaction with company life” and “feeling that one’s job is rewarding.” The most common reason given for “satisfaction with company life” was “work quality and level” while young employees in particular gave “experiencing a sense of personal growth” as the most common reason for “feeling that one’s job is rewarding.”

The results of the survey conducted in FY2011 on shop floor employees revealed that the number of employees who answered that they were satisfied was 44.4%, an affirmative response rate of over 60% despite the impact of the earthquake disaster. The FY2012 survey conducted overseas had an affirmative response rate of 76% for administrative and engineering employees and 77% for shop floor employees. This employee satisfaction survey is conducted every other year and its analyzed results are used in planning and executing measures to allow employees to work with confidence.

Results of Employee Satisfaction Survey

<table>
<thead>
<tr>
<th>Administrative and engineering</th>
<th>Shop floor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Score</strong></td>
<td><strong>Score</strong></td>
</tr>
<tr>
<td>80</td>
<td>79</td>
</tr>
<tr>
<td>70</td>
<td>69</td>
</tr>
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<td>60</td>
<td>59</td>
</tr>
<tr>
<td>50</td>
<td>49</td>
</tr>
<tr>
<td>40</td>
<td>39</td>
</tr>
</tbody>
</table>

Athletic Clubs Provide Exciting Discussion Topics

Toyota has 35 clubs consisting of those for advanced athletes competing for national championships on behalf of the company and for employees who are engaged both in sports and a job function. All employees are proud of the clubs’ good showing and, beyond that, feel motivated and encouraged to see workplace colleagues competing strongly. In November 2012, the women’s softball club won the league championship for the third consecutive time, and the women’s basketball club, the Antelopes, won the Empress Cup in January of 2013.

Results of 2012 Employee Satisfaction Survey

<table>
<thead>
<tr>
<th>Administrative and Engineering</th>
<th>Employee Satisfaction</th>
<th>Toyota Employees Satisfaction</th>
<th><strong>Score</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Employee Satisfaction</strong></td>
<td><strong>Score</strong></td>
<td><strong>Score</strong></td>
<td></td>
</tr>
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</tr>
<tr>
<td>40</td>
<td>49.0</td>
<td>66.7</td>
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</tr>
</tbody>
</table>

Communication Activities within the Workplace

Toyota is conducting a range of initiatives to ensure smooth communication within the workplace. One of those is lunchtime discussions held with foreign staff regarding anything from personal troubles and worries to differences in culture and ways of thinking, which deepens mutual understanding between Japanese and foreign staff.
Corporate Governance/Risk Management/Compliance

Corporate Governance

Toyota’s Basic Philosophy Regarding Corporate Governance

Toyota has positioned the stable long-term growth of corporate value as a top-priority management issue. Toyota believes that in carrying this out, it is essential to achieve long-term and stable growth by building positive relationships with all stakeholders, including shareholders and customers as well as business partners, local communities and employees, and by supplying products that will satisfy all of them.

Toyota has a range of long-standing in-house committees and councils responsible for monitoring and discussing management and corporate activities from the viewpoints of various stakeholders. This is in order to make prompt decisions for developing global strategy, speed up operation, and ensure heightened transparency and the fulfillment of social obligations.

In addition, Toyota has a unique corporate culture that places emphasis on problem solving and preventative measures, as well as an approach for building in quality through manufacturing processes, which enhances the quality of everyday operations and consequently strengthens corporate governance.

Systems for Ensuring Appropriate Management

In March 2011, Toyota announced the “Toyota Global Vision” and commenced “Visionary Management.” In April 2011, Toyota reduced the decision-making layers and at the general meeting of shareholders in June 2011, reduced the size of the Board of Directors, in order to swiftly communicate the views of customers and information from operations on-ground to management and facilitate rapid management decision making.

In April 2013, Toyota made organizational changes with the aim of further increasing the speed of decision-making by clarifying responsibilities for corporations and earnings. The automotive business was divided into four units and an Executive Vice President was put in charge of the operations of each unit in order to realize organizational change that supports operations and earnings responsibility. Additionally, in June 2013, three Outside Directors were appointed in order to further reflect the opinions of those from outside the company in management’s decision-making process. Toyota believes that the Outside Directors will advise the company in the management decision-making process based on their broad experiences and insight in their respective fields of expertise.

Toyota has adopted an auditor system to monitor management. Four of Toyota’s seven corporate auditors are external auditors employed to increase transparency of corporate activities. Since 1996, Toyota has convened periodic meetings of its International Advisory Board (IAB). The IAB consists of approximately 10 distinguished advisers from overseas with backgrounds in a wide range of fields, including politics and economics. Since 2011, Toyota has also convened Regional Advisory Committees as needed in major regions—such as North America, Europe and Asia—and receives advice on diverse business issues from a global perspective.

Basic Approach to Internal Controls

Toyota implements an internal control system based on the basic policies regarding measures related to internal controls established in May 2006, and works to reinforce that system as necessary by, for example, reviewing the system when changes are made to systems for conducting business.
Business Continuity Management at Toyota

Background of Business Continuity Management (BCM) at Toyota

Even though Toyota was not directly affected by the past large-scale disasters such as the Great East Japan Earthquake and the Thailand floods, it was temporarily unable to fulfill its mission of continuing to deliver always better cars and services to its customers. Furthermore, Toyota Group’s main functions are concentrated in areas that are likely to be hit by a Nankai Trough earthquake and the risk that Toyota would suffer damage in that event is rising. Damage to Toyota and various Group companies could severely impact production and other activities. Given this scenario, it is essential to assume that Toyota itself would suffer and to make preparations to enable early recovery with limited resources. For all these reasons, Toyota is reassessing its business continuity plan (BCP).

The major premise of Toyota’s BCP is to work on recovery after disaster in the following priority order:

1. Humanitarian aid (lifesaving first, relief)
2. Early recovery of the affected areas
3. Restoration of Toyota’s operations and production

Collaboration with Disaster-affected Regions

On December 13, 2012, Miyagi Prefecture, Ohira Village, Toyota Motor Corporation (TMC), and Toyota Motor East Japan signed a cooperative disaster relief agreement designed to help build a disaster-resistant community through the utilization of plant facilities.

Vehicles that Excel and Prove Useful in Disasters

After experiencing the Great East Japan Earthquake, Toyota worked to address the issue of “energy, information and transport network fragmentation” when disasters occur, and developed hybrid and plug-in hybrid vehicles installed with external power supply systems.

In addition to providing good fuel efficiency and environmental performance during normal times, during disasters, these cars can be driven on gasoline or electricity, and also have a power supply function that allows electricity to be drawn from the automobile.

Toyota has made it possible to install two electrical outlets (AC 100 V, 1,500 W) inside the Prius and the Prius PHV. Moreover, Toyota installed connectors in the Prius PHV that allow power to be supplied to the outside even with the vehicle doors and windows closed.

Humanitarian Aid

Immediately following the Great East Japan Earthquake, Toyota sent 60 employees and later a total of 140 employees to its production sites in the disaster-affected areas, where they engaged in various activities such as restorng facilities and distributing disaster-relief supplies. Employee volunteers of Toyota Group and Toyota-related companies are continuing to assist with restoration efforts for the people in the areas hardest hit by the disaster.

In 2011 and 2012, a total of 360 employees from 15 Toyota and Toyota-related companies implemented activities such as wreckage removal in the Kesen region of Iwate Prefecture. These activities are continuing this year as well.

In addition to this type of human support, Toyota also provided material support. Eighty-seven 11-ton trucks filled with relief supplies from the Toyota Group and Toyota-related companies were gathered at two local production sites and distributed. Because sound communication infrastructures made it impossible to assess the situation in the disaster-affected sites from a distance, employees from the individual sites traveled to the disaster-affected sites along the coast to assess needs first-hand, then delivered the needed relief supplies (such as food, daily necessities, water and fuel) on their own.

Learning from such experiences, Toyota has prepared a nationwide framework for sending relief supplies to disaster-affected areas that utilizes the warehouses and logistics network of its parts distributors throughout Japan. In addition to stocking emergency supplies at the 34 parts distributors nationwide for use by their employees, Toyota has built a framework for sending such relief supplies to parts distributors in disaster-affected sites. Toyota is aiming to achieve fast and reliable support of disaster-affected sites taking into account such potential issues as gasoline shortage. For example, relief supplies will be sent via a parts distributor relay, depending on the distance to the disaster-affected sites.

To ensure that Toyota will be able to continue delivering always better cars and services to customers all over the world even when affected by a disaster that limits its resources, Toyota is reassessing its existing disaster preparedness plan. Toyota plans to expand its activity scope to achieve the following three objectives: (1) Recovery from the customer’s viewpoint, (2) Preparedness during normal times to enable autonomous recovery, and (3) Involvement of the entire supply chain including “All Toyota” and all suppliers.

To enable recovery from the customer’s viewpoint, Toyota has defined production resumption goals for high-priority vehicle models and strives to be prepared at all times, in order to minimize impact on customers. To maintain preparedness during normal times, Toyota aims to fortify its production facilities while making them easy to repair should they be damaged. Finally, the supply chain required for purchasing the extremely large number of parts and materials utilized in car manufacturing has become a huge network and restoring production means restoring the entire supply chain. Thus, Toyota shares its restoration goals with its entire supply chain in order to achieve the quickest possible recovery in the event of a disaster.

Toyota is also in the process of surveying the entire supply chain to build a database that will give a visual representation of the entire situation to allow assessment of the impact a disaster-damaged parts or material plant would have on the entire supply chain.
Financial Information

Aiming to Achieve Sustainable Growth by Maintaining and Building on a Strong Earnings Base

The three key priorities of Toyota’s financial strategy are growth, efficiency and stability. We believe that the balanced pursuit of these three priorities over the medium-to-long-term will allow us to achieve steady and sustainable growth, as well as increase corporate value.

Based on the Toyota Global Vision, we have been aiming to establish a cycle of developing always better cars that delight our customers and benefit society while fulfilling our duty to increase sales and consequently profits that are then reinvested in developing ever-better cars. To support this cycle, all 330,000 global Toyota employees will work together to maintain and build on a strong earnings base, towards becoming a company that realizes sustainable growth.

Three Key Priorities of Our Financial Strategy

Growth

The focus of growth in automotive markets worldwide is likely to shift toward emerging markets and such fuel-efficient options as hybrid and compact vehicles. Toyota plans to invest efficiently and actively in these areas to respond to these changes and to ensure long-term sustainable growth. For example, we will prioritize the investment of management resources in the development of next-generation environmental technologies, such as fuel cells. We will also increase sales in emerging markets by strengthening locally produced models and building an optimized supply structure to realize a “50:50 sales ratio,” with half of our sales coming from developed markets such as Japan, the United States, and Europe and the other half from emerging markets.

Efficiency

Toyota will continue its push forward with the Toyota New Global Architecture (TNGA), an initiative to overhaul the way we work with the goal of facilitating the timely launch of appealing products globally. Under TNGA, we are improving development efficiency and making always better cars by standardizing parts and components through group development. We will strive to further improve our earnings structure through efficient investment that emphasizes the areas in which we want to advance, including eco-cars and emerging markets.

Stability

To ensure a solid financial base, we secure sufficient liquidity and stable shareholders’ equity. This allows us to maintain capital expenditure and R&D investment at levels conducive to future growth, including the development of next-generation technologies and the establishment of global production and sales structures, as well as to maintain capital at a level sufficient for operations, even when business conditions are difficult due to such factors as steep increases in raw materials prices or volatility in foreign exchange rates. In order to maintain sufficient capital reserves, we will continue to pursue improvements in capital efficiency and cash flow.

Summary of Business Results for FY2013

On a consolidated basis for the fiscal year ended March 31, 2013, vehicle sales increased 1.519 million units to 8.871 million units compared with the previous fiscal year. Net revenues expanded 3,680.5 billion yen to 22,064.1 billion yen, operating income grew 965.2 billion yen to 1,320.8 billion yen, and net income rose 678.6 billion yen to 962.1 billion yen. In addition to increased vehicle sales, operating income also received a significant boost from a drive to reduce costs undertaken together with our suppliers throughout the fiscal year as well as a weakening of the yen in the second half of the fiscal year.

We believe these results have positioned the company within reach of accomplishing its objective of creating a strong earnings base under the Toyota Global Vision announced in 2011.
## CSR Achievement Data

CSR activity results for the past three years are listed in the table below.

<table>
<thead>
<tr>
<th>Area (fiscal year-end)</th>
<th>Items</th>
<th>Unit</th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality</strong></td>
<td>CSR activity results for the past three years are listed in the table below.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. of vehicles sold (Japan)</td>
<td>Thousand vehicles</td>
<td>1,110</td>
<td>2,273</td>
<td>2,273</td>
</tr>
<tr>
<td></td>
<td>No. of vehicles sold (outside Japan)</td>
<td>Thousand vehicles</td>
<td>14,605</td>
<td>10,867</td>
<td>11,922</td>
</tr>
<tr>
<td></td>
<td>Market share of Welcab</td>
<td>%</td>
<td>37.6</td>
<td>37.0</td>
<td>37.0</td>
</tr>
<tr>
<td></td>
<td>No. of employees responsible for CSR activities</td>
<td>Persons</td>
<td>25</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>J.D. Power Asia-Pacific Vehicle Dependability Study ranking No. 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good Design Award</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. of defective customer care centers (Japan)</td>
<td>Thousand</td>
<td>1,745</td>
<td>1,745</td>
<td>1,745</td>
</tr>
<tr>
<td></td>
<td>Call center frequency and customer satisfaction index</td>
<td>%</td>
<td>89.0</td>
<td>90.0</td>
<td>90.4</td>
</tr>
<tr>
<td></td>
<td>No. of intersections that achieved NACAP 5-star safety rating</td>
<td>Thousand vehicles</td>
<td>2,905</td>
<td>2,980</td>
<td>2,980</td>
</tr>
<tr>
<td><strong>Safety</strong></td>
<td></td>
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<td><strong>Environment</strong></td>
<td>CSR activity results for the past three years are listed in the table below.</td>
<td></td>
<td></td>
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<tr>
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<td>Thousand vehicles</td>
<td>1,110</td>
<td>2,273</td>
<td>2,273</td>
</tr>
<tr>
<td></td>
<td>Airbag (Japan)</td>
<td>Persons</td>
<td>1,039</td>
<td>1,075</td>
<td>1,075</td>
</tr>
<tr>
<td></td>
<td>CO2 emissions from Toyota Motor Corporation logistics operations</td>
<td>Tonnes</td>
<td>176,000</td>
<td>216,000</td>
<td>216,000</td>
</tr>
<tr>
<td></td>
<td>CO2 emissions per unit produced (consolidated)</td>
<td>Tons/vehicle</td>
<td>4.5</td>
<td>4.55</td>
<td>4.55</td>
</tr>
<tr>
<td></td>
<td>Global CO2 emissions (from energy sources) (consolidated)</td>
<td>Million tons</td>
<td>3.6</td>
<td>3.65</td>
<td>3.65</td>
</tr>
<tr>
<td></td>
<td>Quality</td>
<td>%</td>
<td>61.0</td>
<td>65.0</td>
<td>65.0</td>
</tr>
<tr>
<td></td>
<td>Female managers (unconsolidated)</td>
<td>Persons</td>
<td>1,039</td>
<td>1,075</td>
<td>1,075</td>
</tr>
<tr>
<td></td>
<td>Male managers (unconsolidated)</td>
<td>Persons</td>
<td>1,039</td>
<td>1,075</td>
<td>1,075</td>
</tr>
<tr>
<td></td>
<td>Lease care program</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td>No. of employees using the facility and hours system (unconsolidated)</td>
<td></td>
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</table>
Toyota participated in the development of international standards regarding CSR—ISO 26000: Guidance on social responsibility—since 2002. We have been developing the Toyota Way for the Environment, which guides us in our efforts to preserve the environment in accordance with the concepts of ISO 26000: Guidance on social responsibility—since 2002. We have been developing the Toyota Way for the Environment, which guides us in our efforts to preserve the environment in accordance with the concepts of ISO 26000: Guidance on social responsibility—since 2002.

I have had the opportunity to review Toyota Motor Corporation’s Sustainability Report for the third consecutive year. I note that the President’s message at the beginning of the report states, “We will examine social issues in collaboration with the people who live in those communities and work to carry out what Toyota can do to achieve these goals. We will examine social issues in collaboration with the people who live in those communities and work to carry out what Toyota can do to achieve these goals.” I understand this to mean that Toyota is committed both to achieving the sustainable growth of the company and contributing to the realization of a sustainable society.

In the section titled “Chairman’s Dialogue,” Chairman Uchiyamada made a reference to a corporate culture within Toyota where it was believed that “if people simply look at our cars, they’ll understand, so all we need to do is to continue making cars to the best of our ability,” but the statement that “when awareness inside the company is different from that in society in general, external personnel can point this out to us” and the references to “we should convey more critical information and become an even more transparent company” indicate to me that positive changes have taken place in Toyota.

The method of reporting based on the three elements espoused in the Toyota Global Vision—always better cars, enriching the lives of communities, and a stable base of business—is unique and not seen in other companies, and I feel that the content has become more refined than in the past.

With regard to always better cars, it is commendable that customer feedback is the first issue addressed. The Report notes that 1.24 million people die in traffic accidents each year worldwide, making traffic accidents the eighth leading cause of death, and I noted with deep interest the description of the specific measures that Toyota is taking to achieve its ultimate goal of completely eliminating traffic casualties.

In the area of enriching the lives of communities, I focused on the reports regarding Toyota’s new initiatives for collaboration with local communities in Tohoku, which is Toyota’s third car manufacturing hub in Japan. I gained a solid understanding of Toyota’s efforts in collaboration with the local community concerning monozukuri (manufacturing), human resource development, and infrastructure development. This style of management can serve as a model for other companies, and I hope that Toyota will continue to develop its CSR initiatives as a stepping stone to further achievements in this area.

I also recognize the value of the President’s open and constructive responses to the criticism. Although there are references to various topics such as the mobility society that Toyota seeks to realize, partner robots, and investigations conducted through the WBCSD, but I feel that Toyota’s position need to be more persuasive. Also, there are some portions of this year’s report that stand out based on the structure, but I feel that Toyota has reached a stage where it can take the discussion of materiality to a deeper level and disclose both the process and results. I look forward to a report next year that will once again exceed expectations.

Counselor, The Japan Research Institute (JRI)

Eichiro Adachi

Biography

Current head of the JRI’s SSG Research Center, he previously served in the Corporate Strategy Research Department and Technology Research Department in JRI. Adachi is responsible for providing financial institutions with corporate information for socially responsible investment (SRI) specialists in industrial research and corporate assessment. He has conducted research on environmental management and CSR since 2003, and was one of the report’s authors in the Japanese delegation to the ISO Social Responsibility Standards (ISO 26000) Working Group.